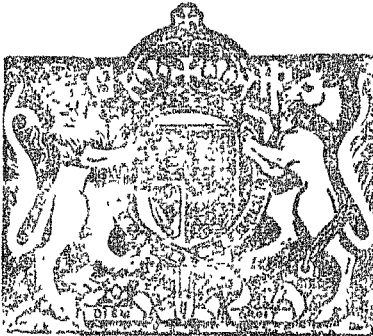


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REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1931-32

Volume I—REPORT

PART II—RAILWAYS.



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**Composition of the Committee on Public Accounts which met in
1933 (*vide* rule 51 of the Indian Legislative Rules).**

Chairman.

- | | | | |
|--------------------------------|----|----|-----------------|
| 1. The Hon'ble Mr. A. H. LLOYD | .. | .. | Finance Member. |
|--------------------------------|----|----|-----------------|

Elected Members.

Date of Election.

- | | | | |
|--------------------------------|----|----|------------------|
| 2. Rao Bahadur M. C. RAJAH | .. | . | 24th March 1932. |
| 3. Mr. T. N. RAMAKRISHNA REDDI | .. | .. | 24th March 1932. |
| 4. KUNWAR HAJEE ISMAEL ALIKHAN | .. | .. | 24th March 1932 |
| 5. Mr. S. C. MITRA | .. | .. | 24th March 1932. |
| 6. Mr. K. P. THAMPAN | .. | .. | 20th March 1933. |
| 7 Mr B Das | . | . | 20th March 1933. |
| 8 Mr. MUHAMMAD ANWAR UL-AZIM | | . | 20th March 1933 |
| 9 Mr. A. H. GHUZNAVI | . | | 20th March 1933. |

Nominated Members

Date of Nomination

- | | | | |
|-------------------------------|----|----|----------------------|
| 10. Maulvi Sir MUHAMMAD YAKUB | .. | . | 21st March 1931. |
| 11 Mr. J. RAMSAY SCOTT | .. | .. | 21st March 1931. |
| 12. Dr. R. D. DALAL | .. | .. | 23rd September 1931. |

Report of the Public Accounts Committee on the Accounts of 1931-32.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating.

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end, and the actual results —

				(Lakhs of Rupees)		
				Budget	Revised.	Actuals.
(1) Traffic receipts (less refunds)	..	..	..	1,01,00	86,75	86,63
(2) Miscellaneous receipts	.	.	..	1,58	1,30	1,20
(3) Working Expenses	..	.	.	66.43	62,83	62,77
(4) Miscellaneous Expenditure	.	.	.	61	58	55
(5) Surplus Profits	..	.	..	75	85	64
(6) Interest charges	..	..	..	33,57	33,28	33,07
(7) Surplus (+) or deficit (—)	.	..	..	1,22	—9,17	—9,20
(8) Contribution to general revenues	..	..	..	5,36	..	..
(9) Payment to (+) withdrawal from (—) Reserve	..	..	..	—4,14	—4,95	—1,95
(10) Loans from the Depreciation Fund	.	..	.	.	4,52	4,25

2. The budget estimate anticipated a net surplus of Rs. 1.22 lakhs which with a withdrawal of Rs. 4.14 lakhs from the Reserve Fund was to be utilised to meet the contribution of Rs. 5.36 lakhs to general revenues. In framing this estimate it had been assumed that the year would show a modest improvement in traffic over the abnormally low figures of the previous year and an allowance was made for increased receipts from alterations of rates and fares already given effect to or under investigation at the time. Far from improving, the traffic showed a considerable decline and the revised estimate pointed to a deficit of Rs. 9.47 lakhs which was to be met by transfer of the whole balance of the Reserve Fund (Rs. 4.95 lakhs) and a loan of Rs. 4.52 lakhs from the Depreciation Fund. The actuals proved to be slightly better than the revised and a loan of Rs. 4.25 lakhs only from the Depreciation Fund was necessary. The large deterioration as compared with the original estimate was mainly due to the continued economic depression, the low level of prices and the decreased spending power of the people. Increasing road motor competition was also probably an important contributory cause. Compared with the revised estimate the actual receipts were Rs. 22 lakhs less and the actual expenditure Rs. 49 lakhs less with the result that the deficit on the working of the railways during the year was less by Rs. 27 lakhs. But for a saving of Rs. 21 lakhs in the interest charges due to the actual rate of interest being slightly lower than that assumed in the revised estimate the net deficit would have been only Rs. 6 lakhs less than what was assumed in the revised estimate.

Position as regards control of expenditure.

3. The following table compares the final voted grants with the expenditure against those grants:—

					(Lakhs of Rupees.)	
		Original grant.	Supplementary grant.	Final grant.	Actual expenditure.	Excess + Saving —.
<i>Expenditure charged to Revenue.</i>						
1. Railway Board ..		10.50	..	10.50	10.26	— 24
2. Inspection		90	..	90	80	—10
3. Audit		14.20	..	14.20	13.78	—42
4. Working Expenses, Administration		13,00.00	.	13,00.00	12,99.78	— 22
5. Repairs, maintenance and operation.		37,54.00	..	37,54.00	33,91.50	—3,50.41
6. Payment of surplus profits ..		75.00	7.75	82.75	61.19	—18.56
9. Appropriation to Depreciation Fund.		13,00.00	.	13,00.00	13,03.49	+3.49
11. Miscellaneous expenditure ..		10.75	25	11.00	3.38	—7.62
14. Strategic lines		1,97.50	..	1,97.50	1,80.13	—17.37

Expenditure charged to Capital and Depreciation and Reserve Funds

7. New construction ..		2,86.80	.	2,86.80	2,75.87	—10.93
8. Open line works ..		8,38.40	..	8,38.40	3,98.93	—4,39.47
10. Appropriation from Depreciation Fund.		8,25.00	4,52.02	12,77.02	12,52.12	—24.90
13. Appropriation from Reserve Fund		4,14.67	80.39	4,95.06	4,95.06	..
15. Strategic lines Capital ..		17.00	..	17.00	—3.23	—20.23

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below:—

					(Lakhs of Rupees.)	
		Original appropriation.	Supplementary appropriation.	Final appropriation.	Actual expenditure.	Excess + Saving —.
<i>Expenditure charged to Revenue</i>						
1. Railway Board		4.60	—0.25	4.35	4.39	+0.04
2. Inspection		3.10	—0.11	2.99	2.96	—0.03
3. Audit		5.60	—0.25	5.35	5.34	—0.01
4. Working Expenses, Administration.		1,00.00	+9.43	1,09.43	1,07.82	—1.61
5. Repairs, Maintenance and Operation.		1.00	+0.20	1.20	1.29	+0.09
11. Miscellaneous Expenditure ..		10.75	—0.32	10.43	9.97	—0.46
14. Strategic lines		6.00	—0.72	5.28	5.51	+0.23

Expenditure charged to Capital.

7	New construction	..	..	2 20	+ 61	2 81	2.72	—0.09
8.	Open line works	..	.	60	+ 70	1 30	1.33	+ 0.03
15	Strategic lines	..	..	..	.	..	.01	+ 0.01
	Interest on debt	..	..	32,21.28	—31.09	31,90.19	31,75.50	—14.69
	Interest on Capital contributed by Companies			1,35.92	+1 98	1,37.90	1,31.14	—6.76

5. We give in paragraph 6 below the reason for the excess over voted grant No. 9 which requires the vote of the Legislative Assembly. There was only one excess in the year under report against six and four in 1930-31 and 1929-30 respectively. The excesses over non-voted appropriations numbered five in 1931-32 against four in 1930-31 and five in 1929-30. The percentage of individual excesses, votable and non-votable, varied from .27 per cent. to 7.89 per cent. under heads of expenditure charged to Revenue. The excess under capital expenditure was small.

As regards savings, they varied from .02 per cent. to 118.99 per cent. under individual heads the biggest savings occurring under the revenue grants 2, 5, 6, 11 and 14 and the capital grants 8 and 15. Taking the total railway expenditure both voted and non-voted, there was a saving of 4.24 lakhs or 4.18 per cent. under expenditure charged to revenue and a saving of 4.95 lakhs or 16.96 per cent. under capital expenditure. The position in this respect compares as follows with the last two years :—

Expenditure charged to Revenue.

(Excluding appropriations to and from the Reserve Fund.)

				(Lakhs of Rupees.)		
Year.				Final grant and appropriation	Savings.	Percentage of column (3) to column (2).
1				2	3	
1929-30	..	..	.	1,01,55	—66	.64
1930-31	..	..	..	1,05,11	—2,98	2.83
1931-32	..	..	..	1,01,38	—4,24	4.18

Expenditure charged to Capital.

1929-30	..	..	..	45,03	—3,08	6.84
1930-31	..	..	..	25,74	—1,14	4.39
1931-32	.	..	..	29,18	—4,95	16.96

We agree with the Auditor General that the conditions of the year 1931-32 were such as not to afford a fair test of budgeting on railways, that railway administrations are making real attempts to control expenditure despite the

difficulties connected with the present unsuitable system of units of appropriations and that a high standard of efficiency and control cannot be expected until the form of the demands for grants is altered to conform more to the structure of the initial accounts. We shall deal in later paragraphs with the question of the alteration of the form of demands for grants.

Excesss over voted grants.

6. There was only one excess over a voted grant which requires to be regularised by an excess vote of the Legislative Assembly :—

	Final grant.	Actual Expenditure	Excess
	Rs	Rs	Rs
Demand No. 9—Appropriation to Depreciation			
Fund	13,00,00,000	13,03,49,498	3,49,498

The excess was mainly due to the fact that a typographical error in the Revised Estimates of the East Indian Railway involving a sum of Rs. 3 lakhs escaped detection. We recommend that the Assembly should assent to the excess grant which the Governor General in Council will place before them in due course.

Reappropriations not made in accordance with prescribed Rules.

7. Under Rule 52 (2) (ii) of the Indian Legislative Rules we are required to bring to the notice of the Legislative Assembly every appropriation within a grant which is not in accordance with such rules as may be prescribed by the Finance Department. We give below with our comments the cases brought to our notice by the Director of Railway Audit :—

- (i) The Railway Department communicated to the Agent, Burma Railways, a grant of Rs. 57·85 lakhs for expenditure in India and of Rs. 5·80 lakhs for expenditure in England. The Agent sanctioned a reappropriation of Rs. 1·37 lakhs from the English provision to the Indian provision which was beyond his powers. The matter was virtually regularised by the Railway Board in their final appropriation orders.
- (ii) The total appropriations made by the Railway Board under the voted portion of grant 11 aggregated Rs. 11,25,000 against a sum of Rs. 11,00,000 voted by the Assembly. The practice of over-allotment under this grant is not covered by the convention established with the previous Public Accounts Committees and set forth in paragraph 23 of their Report on the accounts of the year 1928-29. The Railway Department explained that this was done in expectation of certain credits accruing on the Eastern Bengal and East Indian Railways under "Surveys" a sub-head of this grant but that no formal withdrawal of funds was made from those two railways on the ground that originally no allotment had been made to them under this head.

We agree with the Auditor General that none of the above irregularities is important from our point of view.

Comments on matters outstanding from previous Reports.

8. *Special concessions for military traffic*.—The Financial Commissioner explained that the Railway Department were endeavouring to come to some agreement with the Army Department and that a memorandum would be circulated to the members of the Committee as soon as possible

9. *Remodelling of the form of demands for grants for railways*.—The main difficulty in the proper control of railway expenditure is that the present form of the demands for grants is entirely different from the structure of the railway accounts. For example, under the present system, the total working expenses of railways are shown under two demands and under each demand there are a large number of sub-heads. These sub-heads do not correspond to the heads under which accounts are kept and consequently the Railway Administrations have to re-arrange all the figures in their accounts in order to enable them to compare expenditure with the grants. This not only involves a lot of unnecessary labour but also makes it very difficult for the Railway Administrations to watch the progress of expenditure against the grants. In order to meet this difficulty the Public Accounts Committee which examined the accounts of 1930-31 recommended that it was imperatively necessary that the arrangement of the working accounts and the sub-divisions of the demands should correspond so that administrative and executive authorities may have no difficulty in carrying out the wishes of the legislature. In accordance with these recommendations the Financial Commissioner has made certain proposals regarding the alteration in the form of demands. We accept these proposals. As regards the division of working expenses of railways into the various demands there are two alternatives (1) to make each railway a separate demand and the various accounts abstracts into sub-heads under the demand or (2) to make each abstract a separate demand and each railway a sub-head under the demands. The Financial Commissioner favours the second alternative subject to a convention being established that a saving under one demand should be considered as a set off against an excess in another. We agree with the Financial Commissioner. We are glad to note that these changes have been given effect to in the demands for grants for 1934-1935.

10. *Allocation of expenditure to capital, Depreciation Fund and to Revenue*.—The Financial Commissioner intimated to us that the matter was still under the consideration of the Government. The Auditor General explained that the problems involved were exceedingly difficult and what he feared was that if they were postponed further, decisions might have to be taken hurriedly in connection with the drafting of the Bill relating to the Statutory Railway Board. He therefore suggested that the matter should be expedited. We endorse the Auditor General's suggestion.

11. *Delay in the apportionment of joint station expenses*.—The Financial Commissioner informed us that the question of devising a simpler system of apportioning joint station expenses had been referred to the Railway Conference Association whose recommendations had been received and that a

decision would be reached without avoidable delay. We desire that a memorandum should be placed before the Committee next year explaining the action taken.

Comments on matters arising out of the accounts for 1931-32.

12. *Date of issue of the Financial Commissioner's Review*—In paragraph 11 of the Report on the accounts for 1930-31, Part II, the Public Accounts Committee expressed the opinion that the Financial Commissioner's Review of the Appropriation Accounts should be in the hands of the Director of Railway Audit before the latter wrote his report in order that he might be able to take into account all the material furnished by the Financial Commissioner and thus minimise duplication in the presentation of results. To meet the desire of the Committee the Financial Commissioner undertook to endeavour to send his Appropriation Accounts with his Review to the Director by the middle of April each year so as to enable the Director to submit his report to the Auditor General by the middle of May. The Financial Commissioner explained to us the difficulties involved in preparing the Review by the middle of April and stated that he would try to give it by the end of May. We recognise the difficulties pointed out by the Financial Commissioner but desire that he should try to have his Review ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts.

13. *Utilisation of unanticipated credits to cover excess expenditure*—We adhere to the recommendation already made in paragraph 11 of the first part of the Report on the Accounts of 1931-32, *viz.*, that in cases where substantial unanticipated credits are to be utilised to incur fresh expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants.

14. *Policy of overallotment*—The Auditor General explained to us that under the convention agreed to by the previous Committees overallotment was allowed only in respect of grants Nos. 4, 5 and 6, but in 1931-32 the Railway Board had extended the convention to other grants. After careful consideration of the explanation given by the Financial Commissioner (*vide* paragraph 12 of the Proceedings) we do not see any reason for agreeing to the extension of the convention to other grants. We recognise, however, that it may be necessary in very exceptional cases to depart from the convention and in such cases the Public Accounts Committee should consider the matter when it reviews the accounts of the year.

15. *New Service*.—The Auditor General has brought to our notice two doubtful cases of new service in the accounts of 1931-32 (Appendix VI), namely, (1) additions and alterations to the locomotive running shed at Bhusawal and (2) installation of wireless sets on railways. On the assumption that the additions and alterations to the locomotive running shed involve merely an extension of the facilities for carrying out running repairs, it is debatable whether the item should be classified as an item of new service but in view of the amount involved we consider that it should be treated as an item of new service. The second item should be treated as an item of new service.

16. *Utilisation of the Reserve provision for an item of new service.*—In accordance with the recommendation of the Public Accounts Committee in their Report on the accounts of 1928-29 a reserve provision is being included in the railway estimates to meet unforeseen emergencies. The Auditor General raised the question whether the Railway Board could utilise such provision to meet expenditure on an item of new service without obtaining a specific vote from the Assembly as required by the rules. We consider that the existence of this provision does not absolve the Railway Board from obtaining a specific vote from the Assembly as required by the Statutory Rules for expenditure on a new service. In cases of real emergency, however, *i.e.* where delay in executing a work is likely to affect the public interest seriously the Railway Board could utilise this provision for an item of new service but should bring the matter to the notice of the Assembly as soon as possible. In other cases the Railway Board should obtain the specific vote from the Assembly for every item of new service (possibly by a token vote) even if expenditure could be met from the emergency provision.

17. *Balance Sheets of Railways*—The Director of Railway Audit in paragraph 115 of his report has offered certain criticisms regarding the present form of the balance sheets and has suggested that in order to get over these difficulties the double account system should be used for preparing these balance sheets, *i.e.*, capital and assets should be omitted from the balance sheets and constituted into a separate capital statement giving greater details of the assets. We understand that this system has been introduced in England to exhibit the expenditure of monies obtained by the creation of fixed liabilities and is applied generally to bodies that have been incorporated by a special Act of Parliament to work public undertakings such as railways. We generally accept the proposals in the Financial Commissioner's Review regarding the introduction of this system but leave the details to be settled by the Director of Railway Audit in consultation with the Financial Commissioner.

The Director of Railway Audit also raised the question whether in view of the difficulties involved in preparing accurate balance sheets and profit and loss accounts of individual railways such accounts should continue to be prepared. We agree with the Auditor General and the Financial Commissioner that profit and loss accounts of individual railways should continue to be prepared as accurately as possible, as the public Accounts Committee is much interested in the financial results of the working of individual railways and such accounts would afford it some basis for comparing efficiency of work. The preparation of balance sheets of individual railways is not so important but the same treatment may be applied to them.

18. *Delay in the execution of agreements*—The Director of Railway Audit has brought to our notice a case in which the negotiation of an agreement about certain collieries had been pending for over 20 years. In order to avoid such delays we desire that the Railway Board should consider whether they could not obtain an annual report from all the railways showing agreements the conclusion of which was outstanding.

19. We append to our report minutes of the proceedings which we consider should be treated as part of the report. We assume that in accordance with the established practice action will be taken by the Department as necessary on the observations and recommendations contained in these paragraphs

	T.N. RAMAKRISHNA REDDI
	I. ALIKHAN.
	R. D. DALAL.
K. SANJIVA ROW,	M. C. RAJAH.
(Secretary).	J. RAMSAY SCOTT.
<i>Dated the 6th August,</i>	S. C. MITRA
<i>1934.</i>	K. P. THAMPAN

As the Chairman of the Committee which examined the Railway Accounts of 1931-32 has left India it has not been possible to obtain his signature to the Report.

A. A. L. PARSONS,
*Secretary to the Government of India,
 Finance Department.*

PROCEEDINGS OF THE COMMITTEE.

Proceedings of the Tenth* Meeting of the Public Accounts Committee held on
Wednesday, the 9th August 1933, at 2-30 P.M.

PRESENT

The Hon'ble Mr. A. H. LLOYD, Finance Member *Chairman.*

Rao Bahadur M. C. RAJAH

Mr. T. N. RAMAKRISHNA REDDI

Kunwer Hajee ISMAEL ALIKHAN

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

} *Members*

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

} *Were also present.*

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

} *Witnesses.*

The Committee took up the further consideration of Appendix XIX] regarding the amendment of the rules relating to the constitution of the Public Accounts Committee. The Committee agreed that if the life of the Assembly was extended beyond the normal period of three years a fresh Committee should be elected.

2. The Committee decided to proceed with the examination of the Railway Appropriation Accounts on the understanding that the question of the coal purchase policy of the Government of India, the Railway Board's summary of the working of Railways during 1932-33 and any other matters which the members might bring forward should be discussed at a meeting to be held later in the year.

3. The Committee then took up the consideration of the items shown in the Quarterly List of Outstandings (Appendix I) and accepted the action taken and the explanation given in regard to items subject to the following remarks :—

Item 2. Special concessions for military traffic.—The Financial Commissioner explained that the Railway Department were endeavouring to come to some sort of agreement with the Army Department and that a memorandum would be circulated to the members of the Committee as soon as possible.

Item 4. Financial results of Railway electrification scheme.—The Committee was informed that a note† was under preparation and would be circulated to the Committee shortly.

* The first nine meetings were held in connection with the Appropriation Accounts relating to Civil, Military and Posts and Telegraphs.

† Printed in Part I of Report.

‡ Since circulated, *vide* Appendix XII.

Items 5 and 6.—Remodelling of form of demands for grants for Railways—These two items were reserved for consideration at the meeting to be held on the 11th August at 2-30 P.M.

Item 7. Allocation of expenditure to capital depreciation fund and to revenue.—The matter was reported to be under the consideration of the Government of India. The Auditor General explained that the problems involved were exceedingly difficult and what Sir Ernest Burdon feared was that if they were postponed further decisions might have to be taken hurriedly in connection with the drafting of the Bill relating to the Statutory Railway Board. He therefore suggested that the matter should be expedited. The Committee endorsed the Auditor General's suggestion.

Item 9. Delay in the apportionment of joint station expenses.—The Financial Commissioner informed the Committee that the question of devising a simpler system of apportioning joint station expenses had been referred to the Railway Conference Association whose recommendations had been received and a decision would be reached without avoidable delay. The Committee desired to have a memorandum placed before it next year stating the action taken.

Item 10. Earlier submission of monthly accounts—The question was reported to be still under consideration¹.

4 *Paragraph 2 of the Auditor General's letter (Appendix II-A)—Date of issue of the Financial Commissioner's Review.*—The Financial Commissioner explained the difficulties involved in preparing the Review earlier and stated that he would try to give it before the end of May. The Committee recognised the difficulties pointed out by the Financial Commissioner but desired that the Financial Commissioner should try to have his Review ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts.

5. *Paragraphs 20 and 22 of the Report of the Director of Railway Audit.*—The Committee examined the reasons for the excesses in voted grants and non-voted appropriations and decided to recommend that the excess in the voted grant be voted by the Legislative Assembly and that the excesses in non-voted appropriations be sanctioned by the Government of India.

6. *Paragraph 24 of the Director's Report.*—The Director raised the question whether Annexure II to the Report which gives a list of misclassifications detected during the year should be continued. The Committee desired that it should be continued.

7. The Committee then adjourned till 11 A.M. on Thursday, the 10th August 1933.

¹ Memorandum circulated, vide Appendix IV.

Proceedings of the Eleventh Meeting of the Public Accounts Committee held
on Thursday, the 10th August 1933, at 11 A.M.

PRESENT.

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*.

Rao Bahadur M. C. RAJAH

Mr T N. RAMAKRISHNA REDDI.

KUDWER HAJEE ISMAEL ALIKHAN.

Mr. S. C. MITRA

Mr. K P THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R D DALAL.

Mr A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J B TAYLOR, Financial Secretary.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr V. S. SUNDARAM, Director of Finance.

Mr. L. S. DEANE, Controller of Railway Accounts.

} *Members.*

} *Were also pre-
sent.*

} *Witnesses.*

8. *Paragraph 30 of the Director's Report—Unanticipated Credits.*—After considerable discussion, the Committee decided to adhere to the suggestion already made by them, *viz.*, that in cases, where substantial unanticipated credits were to be utilised to incur fresh expenditure which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants.

9. *Paragraphs 31 and 35 of the Director's Report.*—The Financial Commissioner gave the following explanation:—

Under the present arrangements the Demand is sub-divided into a large number of sub-heads based on different categories of expenditure, and the provision made for each sub-head is distributed among the individual railways. This final detailed distribution is, owing to the inadequate information available to the Railway Board as to the detailed requirements of each administration, very often imperfect; it cannot naturally be considered as having any finality and the Agent has to be empowered to make whatever redistribution he feels necessary between these sub-heads. Further he is expected to do whatever he can to ensure by re-appropriation that the total sum allotted to him is utilised to the best advantage and that there are no excesses under any of these sub-heads while there are savings under others. For this reason the Railway Board have also found themselves unable to distribute supplementary grants obtained from the Assembly about the close of the year between the various sub-heads. Their opinion is that for the purposes of their general control it is most important that the additional grant to be placed at the disposal

of an administration under each separate Demand should be definitely fixed and that the administrations should be left to distribute these among the various sub-heads as required, because they have in their possession much later information than the Railway Board have as to actual requirements, and, whatever allotments are made by the Railway Board, they not only can but should change them if and as soon as necessary, even though it is immediately after they are informed of these allotments. The Audit Department point out that (a) a grant should be considered as voted according to the distribution in the Pink Books and (b) a supplementary grant should be distributed in the same detail as an original grant. From the strict theory of appropriation audit they may be right, but from the practical standpoint a formal redistribution by the Railway Board according to the Agent's redistribution would be an unnecessary waste of time. A reconciliation of these points of view in relation to supplementary grants will be achieved by making the distribution a division by railways, but this will not settle the question of the original distribution. In the case of supplementary grants if the Railways are taken as sub-heads the Railway Board would be in a position to satisfy constitutional requirement on which emphasis is laid by the Audit Department, by distributing the supplementary grant by sub-heads. At the same time they would not have to face the practical absurdity of making detailed distributions which would be liable to be modified immediately thereafter.

The Auditor General concurred in this view in so far as supplementary grants were affected but said that the decision regarding the original grant depended on how far the Pink Books were considered as receiving the imprimatur of the legislature. Audit must have some authoritative distribution against which to exercise a check.

It was explained that it would be sufficient if the Agent's redistribution were assumed to have Railway Board authority, the Pink Books being considered merely explanatory memoranda, and the Committee agreed that this course should be followed.

10. *Paragraphs 43 and 44 of the Director's Report—Railway Schools*—The Financial Commissioner informed the Committee that the matter was receiving attention but that he was unable to say when it would be settled. The Committee desired to have a report next year.

11. *Paragraph 56 of the Director's Report—Postponement of Adjustment for want of funds*.—The Committee was informed that this was not a postponement for want of funds but that when the Agent was asked for sanction to write off Rs. 85,000 on account of obsolete stores he issued instructions to find out whether they could not be utilised elsewhere. As a result of this, the major portion of these stores was utilised elsewhere and the amount that had actually to be written off ultimately was only Rs. 14,000.

12. *Paragraph 73 of the Director's Report—Over-allotment.*—The Auditor General explained to the Committee that under the convention agreed to by the Public Accounts Committee over-allotment was allowed only in respect of grants 4, 5 and 6, but in 1931-32 the Railway Board had extended the convention to other grants. The Financial Commissioner gave the following explanation to the Committee —

“About the end of the year 1931-32 certain orders were issued by the Railway Board authorising certain railways to incur expenditure up to a definite maximum in excess of sums originally allotted to them. The Railway Board were satisfied from the progress of the actual expenditure that the total grant would not be exceeded, and that there would be savings in the same grant on other railways to cover the extra expenditure incurred on the authority of these orders. While it was probable that in the particular railways in question additional funds would be necessary, it was at the same time difficult to say where exactly the savings would occur. Apart from the fact that it was at the time practically too late to ask the Assembly to vote a supplementary grant, it was considered that it would be improper to ask for such a grant when it was fairly certain it would not be required. It might be objected that the course of action taken by the Railway Board practically amounted to allotment of funds in excess of the total granted by the Assembly, or at least to authorisation of expenditure beyond what was permitted by the Assembly. The only other course open to the Railway Board, apart from asking for an additional unnecessary grant, was to take no action on the request of the railway administrations. In my view, this would have been open to serious objection, and would have been tantamount to the Railway Board abdicating their functions. If railway administrations are expected to obtain the sanction of the Railway Board for additional expenditure when they cannot, by the exercise of all possible economy, keep within their original grant, it is obvious that any such demand must receive careful consideration, and if the Railway Board are satisfied that a certain amount of additional expenditure is inevitable on a particular railway, but that, taking railways as a whole, no additional expenditure is likely, it seems to me that the only proper and practically correct course for the Railway Board is to authorise whatever additional expenditure they consider necessary, holding themselves responsible to the Assembly if the total is thereby exceeded. Such orders, can, if considered necessary, be brought to the notice of the Public Accounts Committee. While the consolidated appropriation account would take no cognizance of such an order, as any formal over-allotment of funds is *ultra vires*, the appropriation account of the individual railway concerned should take note of it, as it is the authority for the railway administration to spend the money. Such an authorization is, however, quite distinct from an additional

allotment and will not be treated as affecting the grants, but against any expenditure in excess of the formal allotments made a note will be recorded showing to what extent the excess was authorized by the Railway Board. In 1931-32, the grants affected and the amounts are as follows:

	Rs
Grant No. 4	16,28,000
Grant No. 6	1,17,000
Grant No. 10	37,12,000
Grant No. 11	25,000

The last is special, because the Railway Board were aware at the time of issuing the orders of the existence of credits due to the transfer of survey expenditure to capital on the commencement of construction; but these credits were in railways in which no expenditure was expected and no grants had been allotted and partly in deference to what was supposed to be the audit point of view that negative appropriation was *per se* objectionable, the orders did not mention these credits. There was not in this case even a technical over-allotment."

The Committee did not see any reasons for agreeing to the extension of the convention to the other grants, but recognised that it might be necessary in very exceptional cases to depart from the convention and that in such cases the Committee would consider the matter when it reviewed the accounts of the year.

13. The Committee then adjourned till 2-30 P.M.

Proceedings of the Twelfth Meeting of the Public Accounts Committee held
on Thursday, the 10th August 1932, at 2-30 P.M.

PRESENT

The Hon'ble Mr. A. H. LLOYD, Finance Member, <i>Chairman</i> .	
Mr. T. N. RAMAKRISHNA REDDI	} <i>Members</i>
Kunwer Hajeer ISMAEL ALIKHAN	
Mr. S. C. MITRA	
Mr. K. P. THAMPAN.	
Mr. MUHAMMAD ANWAR-UL-AZIM.	
Mr. RAMSAY SCOTT.	
Dr. R. D. DALAL.	
Mr. A. C. BADENOCH, Auditor-General.	} <i>Were also present</i>
Mr. J. C. NIXON, Director of Railway Audit.	
The Hon'ble Mr. J. B. Taylor, Financial Secretary.	
Mr. P. R. RAU, Financial Commissioner, Railways.	} <i>Witnesses.</i>
Mr. V. S. SUNDARAM, Director of Finance	
Mr. L. S. DEANE, Controller of Railway Accounts	

14. The Committee took up the Auditor General's Memorandum of doubtful cases of 'new service' appearing in the accounts of 1931-32 (Appendix VI). The Auditor General had included in the Memorandum two cases, *viz.* (1) additions and alterations to the locomotive running shed at Bhilsawal and (2) installation of wireless sets on railways. After full discussion the Committee considered that, on the assumption that the additions and alterations involved merely an extension of the facilities for carrying out running repairs, it was debatable whether the first item should be classified as an item of 'new service' but in view of the amount involved they decided that it should be treated as an item of 'new service'. As regards the second item also the Committee decided that it should be treated as a 'new service'.

15. In accordance with the recommendations of the Public Accounts Committee in their Report on the accounts of 1928-29 a reserve provision is being included in the Railway estimates to meet unforeseen emergencies. The Auditor General raised the question whether the Railway Board could utilise such provision to meet expenditure on an item of 'new service' without obtaining a specific vote from the Assembly as required by the rules. The Committee decided that the existence of this provision did not absolve the Railway Board from obtaining a specific vote from the Assembly as required by the Statutory rules for expenditure on a 'new service'. In cases of real emergency, however, *i.e.* where delay in executing a work was likely to affect the public interest seriously, the Railway Board could utilise this provision for an item of 'new service' but should bring the matter to the notice of the Assembly as soon as possible. In other cases the Railway Board should obtain a specific vote from the Assembly for every item of 'new service' (possibly by a token vote) even if expenditure could be met from the emergency provision.

16. *Paragraphs 96--98 of the Director's Report - Defective Rules of Allocation.*—The Financial Commissioner informed the Committee that as stated at the previous meeting the general question was still under consideration but that certain individual points had been settled.

17. *Paragraphs 102 and 103 of the Director's Report - Allocation of expenditure on rolling stock.*—The Committee was informed that the question was under the consideration of the Railway Board. The Committee desired to have a report next year.

18. *Paragraphs 105 and 113 of the Director's Report.*—The Committee desired to discuss these paragraphs with the Director of Mechanical Engineering, Railway Board.

19. *Paragraph 107 of the Director's Report and paragraph 9 of the Auditor General's letter.*—The Auditor General raised the issue of how far any expenditure incurred as a matter of policy but admitted to be unjustified financially should be left at the debit of capital. The Financial Secretary explained that the main question was whether expenditure which was unjustified financially was to be incurred at all. If it had to be incurred the question whether it should be debited to capital or revenue should follow the ordinary rules of classification. An impossible situation would arise if it was held that only expenditure which was later found to be financially remunerative should be debited to capital as a logical sequence of this would be the valuation of the total railway assets according to their earning capacity. The Committee generally agreed with the Financial Secretary.

20. The Committee then adjourned till 11 A.M. on Friday, the 11th August 1933.

Proceedings of the Thirteenth Meeting of the Public Accounts Committee held
on Friday, the 11th August 1933, at 11 A.M.

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, <i>Chairman</i> .	
Mr. T. N. RAMAKRISHNA REDDI	} <i>Members.</i>
Kunwer Hajeer ISMAEL ALIKHAN.	
Mr. S. C. MITRA.	
Mr. K. P. THAMPAN.	
Mr. MUHAMMAD ANWAR-UL-AZIM.	
Mr. RAMSAY SCOTT.	} <i>Were also present.</i>
Dr. R. D. DALAL	
Mr. A. C. RADENOCH, Auditor General.	} <i>Witnesses</i>
Mr. J. C. NIXON, Director of Railway Audit	
Mr. P. R. RAO, Financial Commissioner, Railways.	
Mr. V. S. SUNDARAM, Director of Finance.	
Mr. L. S. DEANE, Controller of Railway Accounts.	
Mr. J. M. D. WRENCH, Director, Mechanical Engineering, and Chief Controller, Standards.	

21. *Paragraph 105 of the Director's Report*—The Committee discussed with the Director of Mechanical Engineering, Railway Board, the case relating to the relaying of the Parbatipur Siliguri Section with 90 pound rails. When this line was converted from metre gauge to broad gauge in 1926, new 75 pound rails were used, but within three years the track showed signs of weakness and at places the rails fractured. It had been suggested that the principal reason for the failure of the track, was the introduction of a heavier type of engine which the 75 pound rails could not carry; but the Director of Mechanical Engineering explained to the Committee in detail that this was not the true reason, as in the case of the XB type of engines used on this section the stress on the rail was actually less than in the case of the older type of engines. He stated that the actual cause of deterioration of the track were over-use in traffic and the nature of ballast.

22. *Paragraph 113 of the Director's Report*—Another case which the Committee discussed with Mr. Wrench was the purchase of a large number of YF class engines in 1929 for use on certain branch lines. The Committee was informed that this type of engine was purchased as the railways wanted an engine with a wide fire box so as to use low grade fuels. Though the engines initially proved defective and derailments occurred in some instances, the Railway Board had recently been able to remedy the defects at a small cost and the engines were now reported to be working quite satisfactorily.

23. *Paragraph 116 of the Director's Report and paragraph 19 of the Auditor General's letter—Balance Sheets of Railways.*—The Director of Railway Audit proposed that the double account system should be used for preparing the balance sheets of the railways, i.e., capital and assets should be omitted from the balance sheets and constituted into a separate capital statement giving greater details of the assets. The Committee generally accepted the proposals in the Financial Commissioner's Review but left the details to be settled by the Director of Railway Audit in consultation with the Financial Commissioner.

24. *Paragraphs 117-123 of the Director's Report*—The Director of Railway Audit also raised the question whether in view of the difficulties involved in preparing accurate balance sheets and profit and loss accounts of individual railway such accounts should continue to be prepared. The Committee agreed with the Auditor General and the Financial Commissioner that profit and loss accounts of individual railways should continue to be prepared as accurately as practicable as the Committee was much interested in the financial results of the working of individual railways and such accounts would afford them some basis for comparing efficiency of work. The preparation of balance sheets of individual railways was not so important but the same treatment might be applied to them.

25. *Paragraph 128 of the Director's Report and paragraph 11 (a) of the Auditor General's letter—Contracts*.—The Committee was informed that detailed instructions embodying all the important principles had been issued some time ago.

26. *Paragraph 138 of the Director's Report and paragraph 11 (b) of the Auditor General's letter—Recovery of cost of stone supplied to a contractor*.—As the Director of Railway Audit was of opinion that the Legal Adviser would not have advised payment if he had been consulted before the payment was made, the Committee desired that the Railway Board should now consult the Legal Adviser as to whether, if he had been consulted at the proper time, he would have been able to advise that the amount was not payable under the contract and in that case whether a successful attempt could be made to recover it from the contractor. The Committee also desired that, if the Legal Adviser was prepared to give a clear opinion on the case, a description of the facts of the case should be circulated⁴ to Railway Administrations for guidance.

27. *Paragraphs 169-172 of the Director's Report and paragraph 11 (c) of the Auditor General's letter—Stores balances*.—The Committee was informed that the increase in the percentage of closing balance to issue in 1931-32 was mainly due to the stoppage of a number of works as a result of the economy campaign. The Committee noted with satisfaction that the stores balances had been reduced from 23.67 lakhs in 1921-22 to 11.82 lakhs in 1932-33.

28. *Paragraph 177 of the Director's Report—Periodical revaluation of stores*.—As the Railway Board was not yet in a position to express an opinion on the points raised in this paragraph, the Committee desired that it should be included in the next year's report together with the report of the further action taken in the matter.

29. *Paragraph 233 of the Director's Report and paragraph 11 (d) of the Auditor General's letter—Defalcation by a clerk on the North Western Railway*.—The Financial Commissioner promised to circulate[†] a memorandum to the members of the Committee before the next meeting.

30. *Paragraph 242 of the Director's Report*—In this paragraph the Director of Railway Audit has brought to notice a case in which the negotiation of an agreement about certain collieries had been pending for over 20 years. The Committee desired that in order to avoid such delays the Railway Board should consider whether they could not obtain an annual report from all the railways showing agreements the conclusion of which was outstanding.

31. The Committee then adjourned till 2 p. m.

* *Vide* Appendix XI, since circulated.

† *Vide* Appendix X, since circulated.

Proceedings of the Fourteenth Meeting of the Public Accounts Committee held
on Friday, the 15th August 1935, at 2 P.M.

PRESENT.

The Hon'ble Mr. A. H. LLOYD Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI
Kunwer Hajeer ISMAEL ALIKHAN.
Mr. S. C. MITRA
Mr. K. P. THAMPAN.
Mr. MUHAMMAD ANWAR-UL-AZIM.
Mr. RAMSAY SCOTT.
Dr. R. D. DALAL.

} *Members.*

Mr. A. C. BADENOCH, Auditor General.
Mr. J. C. NIXON, Director of Railway Audit.
The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

} *Were also present.*

Mr. W. M. BRAYSHAY, Chief Commissioner, Railways.
Mr. P. R. RAU, Financial Commissioner, Railways.
Mr. V. S. SUNDARAM, Director of Finance
Mr. L. S. DEANE, Controller of Railway Accounts.

} *Witnesses.*

32. *Paragraph 11 (g) of the Auditor General's letter—Unsatisfactory state of stores accounting on the East Indian Railway.*

Paragraph 275 (1) of the Director's Report.—The Director of Railway Audit desired that consideration of this paragraph should be postponed as he wanted to go into greater detail and explain the matter in the next year's report.

33. *Paragraph 275 (2) and 275 (3) of the Director's Report*—The Committee was informed that steps had been taken to improve matters.

34. *Form of Demands for Grants.*—The Financial Commissioner explained to the Committee that under the present system the total working expenses of railways were shown under two demands and under each demand there were a large number of sub-heads. These sub-heads did not correspond to the heads under which accounts were kept and consequently the railway administrations had to rearrange all the figures in their accounts in order to enable them to compare the expenditure with the grants. Thus not only involved a lot of unnecessary labour but also made it very difficult for the railway administrations to watch the progress of expenditure against the grant. It was therefore necessary to recast the demands so as to improve the current control of expenditure. He stated that the present system should be considered to have broken down and that a change was necessary but left it to the Committee to decide whether in view of the impending constitutional changes a change in the form of demands should be effected now or should be left over till the new constitution came into force. The Committee decided that the change should be introduced immediately.

35. The Committee generally accepted the proposals of the Financial Commissioner as regards the form of the demands which it was explained had yet to be considered by the Government of India.

36. As regards the division of working expenses of railways into the various demands, there were two alternatives. (1) to make each railway a separate demand and the various accounts abstract into sub-heads under the demands or (2) to make each abstract a separate demand and each railway a sub-head under the demands. The Financial Commissioner favoured the second alternative subject to a convention being established that a saving under one demand should be considered as a set-off against an excess in another. After considerable discussion the Committee agreed with the Financial Commissioner.

37. The Committee adjourned till 11 A.M. on Saturday the 12th August 1933.⁴

⁴ The meeting held on the 12th August did not relate to Railways.

APPENDICES.

APPENDIX I.

(SECOND QUARTERLY)

Statement showing action taken or proposed to be taken on recommendations, etc., so far made by the Central Public Accounts Committee which have not been finally disposed of.

Part II—Railways.

[Quarter ending July 1933.]

*Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed*

PART II—

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or Suggestions.
1	1927-28 . 1928-29 . 1929-30 . 1930-31 .	63 R . 34 P . 48 P . 3 P [' Item No. 77 ']	That the Auditor General should report to the Committee whether he or the Director of Railway Audit has any comments to make on the rules regulating the custody and relinquishment of railway lands and buildings which the Railway Department have promised to issue before the end of 1932.
2	1928-29 . 1929-30 . 1930-31 .	5 P . . 53 P . . 3 P [' Item No. 80 '].	That the question of the continuance of special rates and concessions for military traffic obtained by the Military Department from the Railways should be pressed to a conclusion as soon as possible.
3	1930-31 .	13 (m) R	That the Committee should be furnished in due course with a statement of the actual action taken by Government on the proposals for retrenchment made by Mr. Badenoch in his report, dated the 26th April 1932, on the Limitation of Audit and Retrenchment in the Railway Audit Department.
4	1930-31 .	14 R .	That a joint note by the Railway Board and the Director of Railway Audit should be submitted to the Committee in 1933 as to the possibility of reaching some general agreement regarding the methods of calculation and the desirability of pursuing further the line of enquiry regarding the financial results of Railway electrification schemes adopted by the Director in his Report on the Accounts of 1930-31.
5	1930-31 .	16 R .	That details be worked out in mutual consultation by the Railway Department and the audit authorities in pursuance of the principle laid down by the Committee regarding correspondence between the arrangement of the working accounts abstracts and the Sub-divisions of the Demands and a report furnished to the Committee in due course
6	1930-31 .	19 R .	That the Committee should be supplied in 1933 with skeleton forms of demands for Grants, Appropriation Accounts and working Accounts prepared on the basis of their proposals and that they should be given a final opportunity of expressing their views on those forms before they are actually introduced in 1934-35.
7	1930-31 .	28 R .	That the question of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue should be taken up immediately.

so far made by the Central Public Accounts Committee which have not been finally of.

Railways.

Action taken or proposed to be taken.

The rules in question have since been issued and copies thereof supplied to the Director of Railway Audit. Neither he nor the Auditor General has any comments to make and this fact has been reported to the Committee by letter.

The matter is receiving attention.

A statement is being supplied to the Committee (Appendix VII).

Necessary action is being taken to meet the wishes of the Committee.*

The matter has been dealt with fully in the Financial Commissioner's Review of the Appropriation Accounts of Railways for 1931-32 (*vide* paragraphs 108-126), copies of which were supplied to the members of the Committee on the 14th July 1933.

The matter is under consideration.

* *Vide* Appendix XII, since circulated.

*Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed*

PART II—

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or Suggestions.
8	1930-31 .	3 P ['Item No. 83 '].	That the information regarding railway advertisements given to newspapers, promised by the Financial Commissioner, Railways, should be supplied to the Committee
9	1930-31 .	46 P	That some definite procedure calculated to obviate the present delays in the apportionment of Joint Station expenses between railways should be laid down as soon as possible
10	1930-31 .	63 P	That a report on the extent to which it is found feasible to adopt the various suggestions of the Director of Railway Audit made in paragraph 28 of his Appropriation Report for 1930-31 with a view to expediting the submission of monthly accounts should be furnished to the Committee in 1933

so far made by the Central Public Accounts Committee which have not been finally of.

Railways—concl'd.

Action taken or proposed to be taken

A Statement giving the necessary information was furnished to the Committee on the 16th March 1933 (Appendix III).

The matter is under consideration.

The matter is under consideration and the required report will be furnished to the Committee in due course.*

**Vide* Appendix IV, since circulated.

APPENDIX II-A.

LETTER FROM A. C. PADENOCH, Esq., C.I.E., I.C.S., OFFICIATING AUDITOR
GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCE DEPARTMENT, NO. 214-REP./7-33, DATED THE 10TH JULY 1933.

SUBJECT — *Appropriation Accounts of Railways in India for the year 1931-32
and the Report of the Director of Railway Audit thereon*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Railways in India for the year 1931-32 together with two copies of the Report thereon prepared by the Director of Railway Audit for submission to the Committee on Public Accounts and for necessary action by the Government of India.

2. *Date of issue of the Financial Commissioner's Review.* The Financial Commissioner has prepared a valuable financial review and survey of the Appropriation Accounts which reached me after I had prepared the first draft of this letter. In paragraph 11 of Part II of the Report on the Accounts of 1930-31, the Public Accounts Committee expressed the opinion that the Financial Commissioner's Review of the Appropriation Accounts should be in the hands of the Director of Railway Audit before the latter writes his Report in order that he may be able to take into account all the material furnished by the Financial Commissioner and thus minimise duplication in the presentation of results. To meet the desire of the Committee the Financial Commissioner undertook to endeavour to send his Appropriation Accounts with his Review to the Director by the middle of April each year so as to enable the Director to submit his Report to the Auditor General by the middle of May. It has been found impossible fully to carry out this programme in connection with the presentation of the Appropriation Accounts of Railways for 1931-32. The printed volume of Appropriation Accounts was available only on 20th May. The portion of the Financial Commissioner's Review which explains the Appropriation Accounts themselves was given to the Director of Railway Audit in draft form on the 27th April, but although I had seen portions of the Review in draft at an earlier date, a printed copy was not received by me until 3rd July. In consequence of the delay in the final issue of the Appropriation Accounts, and in the preparation of the Financial Commissioner's Review, the Report of the Director of Railway Audit was not received by me until 20th June.

In paragraph 107 of the Review the Financial Commissioner, Railways, has explained why it has not been possible to satisfy the demand of the Public Accounts Committee made at the instance of Sir Ernest Burdon; and it appears that the requirements which the Public Accounts Committee consider to be essential for the proper presentation of the Railway Appropriation Accounts and of the results of the audit of these accounts cannot be satisfied unless something can be done to expedite their preparation. The Financial Commissioner proposes the 15th of July as the date on which his Review should issue, but I suggest that it is unsatisfactory that the Director's Report and the Auditor General's letter should be written wholly without reference to the Financial Commissioner's Review and that if the Director's Report is to be delayed until after this date

there may be serious interference with the arrangements both of Government and of the Public Accounts Committee. The better course would be to arrange that that portion of the Financial Commissioner's Review which explains the Appropriation Accounts themselves should be sent to the Director at a date not later than that suggested by the Public Accounts Committee in paragraph 11 of Part II of last year's Report, *viz.* the 15th of April. It is not absolutely essential that the Financial Commissioner's remarks on the more general questions connected with the Appropriation Accounts should be made available to the Director before he prepares his Report, and it might be a convenient arrangement for the Financial Commissioner to prepare his Review in two parts, the first, dealing with the explanation of the accounts, to be ready by the 15th of April, and the second containing his observations on more general questions and on matters discussed by the Director in his Report to be issued on a date, before the meeting of the Public Accounts Committee, convenient to the Financial Commissioner himself.

3. *Earlier preparation of Appropriation Accounts.*—It is important that there should be further enquiry whether the Appropriation Accounts of Railways cannot be prepared, audited by the Railway Audit Department, and made available to the Financial Commissioner in a final form at a date earlier than appears to be possible at present. The Financial Commissioner in paragraph 108 of his Review admits that little or no improvement can be achieved until the preparation of the accounts is simplified by the assimilation of the form of Demands for Grants (and hence of the Appropriation Accounts) to the structure of the initial accounts. Some of the proposals to modify the Demands for Grants approved in principle by the Public Accounts Committee have already been carried out; it is of the utmost importance that the remaining proposals to bring the forms of the Demands and of the Appropriation Accounts into line with the structure of the initial accounts should be approved and that the approved scheme should be introduced at the earliest possible date. It is not necessary for me to labour this point as the Financial Commissioner has dealt with it in his Review and has placed concrete proposals before the Public Accounts Committee. I suggest however that the forms approved by the Committee should be used in the budget for 1934-35 and that the programme suggested in paragraph 11 of the Committee's Report of last year be modified only to the extent proposed in paragraph 2 above until it is known that, even after the introduction of the new forms of Appropriation Accounts, earlier preparation of these accounts is impossible. I do not believe I exaggerate when I say that earlier and more satisfactory preparation of Appropriation Accounts and the achievement of a successful system of expenditure control on Railways is bound up with the removal of the defects in the forms of Demands for Grants commented upon in Sir Ernest Burdon's letter on the accounts of 1930-31 and briefly summarised in paragraphs 25 to 28 of the present Report.

Experience of Railway Appropriation Accounts and of the Railway expenditure control system during the past few years suggests the conclusion that it was perhaps unfortunate that the forms of the Demands for Railway Grants were approved by the Railway Standing Finance Committee without reference to the Public Accounts Committee.

4 *Outstanding questions.*—The remarks in the foregoing paragraph relate to items 5 and 6 of part II of the list of questions outstanding from previous discussions and hence to a matter already under consideration but the difficulties experienced in presenting the Appropriation Accounts for 1931-32 and the Report thereon have proved that it is necessary to emphasise the importance and the urgency of the question involved in these items. I assume that the Public Accounts Committee will as usual deal in detail with the list of outstanding items some of which are of great importance, and I have no further comments to offer on these items individually at this stage.

5. *General results of appropriation audit.*—The Director's comments on these matters will be found in chapter 3 of his Report. It will probably be accepted without question that the conditions of the year 1931-32 were such as not to afford a fair test of budgeting on Railways. I desire to direct the attention of the Committee again to paragraphs 25 to 29 of the Director's Report when they are considering the efficiency of the control over expenditure on Railways. My own conclusion is that Railway administrations are making real attempts to control expenditure despite the difficulties connected with the present unsuitable system of units of Appropriation; a high standard of efficiency in control cannot be expected until the form of accounts used for expenditure control purposes is altered to conform more to the structure of the initial accounts. It is believed that a satisfactory settlement of this important question will lead to the solution of other problems with regard to which the Director of Railway Audit and the Financial Commissioner, Railways, have for long been at issue, *e.g.*, the question of the distribution of supplementary grants over sub-heads dealt with in paragraph 35 of the Director's Report.

The Committee will note with concern the abnormal increase in the cases of defective budgeting and misclassifications brought out in paragraph 24 of the Report.

6. *Irregular Reappropriations*—The Committee's attention is directed to paragraph 36 which describes the irregular reappropriations the duty of scrutinising which devolves on them by statutory rule. In paragraph 83 of the Financial Commissioner's Review an explanation, which appears to me adequate, is given of the orders to which objection is taken by the Director in paragraph 36(c). In my opinion none of the irregularities described in this paragraph is important in principle from the Committee's point of view.

7. *Policy of Over-Allotment.*—I desired to direct the attention of the Public Accounts Committee to the remarks of the Director under Grant 10 in paragraph 73 of the Report. The Committee will no doubt remember the convention they established with the Financial Commissioner and though the justification offered in paragraph 82 of his Review, by the Financial Commissioner, for the breach of this convention, may be considered eminently reasonable, it is for consideration whether there should be any departure from a convention thus deliberately established without prior consultation with the Committee. Unless there be some such agreement there appears to be a danger that the practice of establishing conventions may be stultified. It is doubtful whether the distinction drawn by the Financial Commissioner between 'authorisation' and 'allotment' can be justified either in theory or in practice.

8 *Depreciation Reserve Accounts*.—The matter contained in paragraphs 77 to 79 of the Report is important with reference to the general question of the permanent basis of allocation of expenditure between Capital, Revenue and the Depreciation Reserve Fund, *vide* item 7 of the list of outstanding questions. The remarks made in these paragraphs seem to indicate that the attempt to maintain Depreciation Reserve accounts in detail for particular classes of assets is not in fact successful.

9. *Capital Accounts*—In paragraphs 97 and 98 the Director describes influences of a comparatively minor character, yet important in themselves, which tend to produce over-capitalisation. The Public Accounts Committee doubtless will be interested to know how far it is possible and how far it is intended to take measures to counteract them. In chapter 5 a number of instances of possibly infructuous expenditure likely to produce inflation of the capital account have been described, the case recorded in paragraph 107 raises the issue of how far any expenditure incurred as a matter of policy but admitted to be unjustified financially should be left at the debit of capital.

10. *Balance Sheets*.—Attention is specially directed to the whole of chapter 6 which provides the first audit criticism of the Balance Sheets and Profit and Loss Accounts prepared at the instance of the Public Accounts Committee. The Financial Commissioner has dealt with the subject in paragraphs 89 to 105 of his Review. The criticisms in paragraph 115 are important and generally valid and the Director's suggested method of meeting the difficulty, *vide* paragraph 116, requires careful consideration by the Public Accounts Committee. The system suggested, known as the 'Double Account System', has been introduced in England to exhibit the expenditure of monies obtained by the creation of fixed liabilities and is applied generally to bodies that have been incorporated by a special Act of Parliament to work public undertakings such as Railways. It may be surmised that the system is used in England partly to meet difficulties similar to those described by the Director. The Double Account System is not unknown in India but has been adopted to my knowledge by the Calcutta Port Trust, and I believe that it is suitable to the present purpose though some further scrutiny will be necessary before the method of application suggested by the Financial Commissioner can be accepted.

It is also important to consider whether the conclusion reached in paragraph 122 is valid. As against the view put forward in the Report I might venture to suggest that the Public Accounts Committee are interested in the financial results of working individual Railways, and that it should not be beyond the ingenuity of the responsible authorities to work out a system of Profit and Loss Accounts for individual Railways at any rate approximately accurate which will afford some basis of comparing efficiency of work.

11. *Other points of importance*.—The foregoing paragraphs contain my observations on important matters of principle discussed in, or arising from, the Director's Report. The larger portion of the Report is generally concerned with detail and with individual irregularities. I desire to invite special attention to the following points but I must make it clear that in doing so I do not exhaust the important matters discussed in the report which are deserving of the Committee's consideration.

(a) *Paragraph 128.*—The Public Accounts Committee doubtless consider it to be of great importance that instructions regarding the regulation of contracts should be issued at the earliest possible date and will desire to know when Government will be able to issue these instructions.

(b) The individual irregularities described in paragraphs 138 to 141 deserve special study by the Committee.

(c) The Public Accounts Committee have always displayed special interest in the balances of stock maintained by Railways and paragraphs 169 to 172 contain the Director's remarks upon this subject. The Financial Commissioner's comments on the same subject appear in paragraphs 85—88 of his Review. An unsatisfactory state of affairs on the East Indian Railway is disclosed in paragraphs 173 and 181. Paragraph 177 describes a point of some importance in connection with which Audit and the Railway authorities have differed for some time regarding the duties of the Railway Administration.

(d) The most important individual defalcation mentioned in the report is described in paragraph 233. The Public Accounts Committee will doubtless desire to have a further report about the disciplinary action taken against the staff not actually involved in the criminal proceedings and to know the reason why there has been such delay in deciding whether disciplinary action should be taken.

(e) In paragraph 239 to 246 the Director has again focussed attention upon the great delays which occur in settling financial adjustments between Railways. This question also forms the subject of item 9 of the outstanding list. The occurrence of such delays constitutes one of the gravest defects of Railway Administration in India.

(f) Special attention is directed to the analysis of the working of branch lines contained in paragraphs 247 to 254 of the Report and Annexure I.

(g) The Public Accounts Committee will be disappointed to learn from paragraph 275 that the stores accounting on the East Indian Railway is not yet as satisfactory as might be desired. Although it will probably be infructuous to deal with defects due to the state of affairs existing before the reorganisation it is necessary that those occurring after the reorganisation should be explained and the Public Accounts Committee should be satisfied that proper measures are being taken to remove them.

12. *Conclusion.*—It is difficult to sum up the results of scrutiny by audit of an account of such magnitude and complexity as that of Indian Railways. The impression I have formed, however, is that while a real effort has been and is being made to secure greater efficiency in control and greater regularity in expenditure, the progress in these directions is slow, slower possibly on State-managed Railways than on Railways managed by Companies.

APPENDIX II-B.

LETTER FROM A. C. BADENOCH, ESQ., C.I.E., I.C.S., OFFG. AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. T.-677-REP./7-33, DATED THE 12TH JULY 1933.

SUBJECT.—*Appropriation Accounts of Railways in India for the year 1931-32 and the Report of the Director of Railway Audit thereon.*

In continuation of this office letter No. 214-Rep./7-33, dated the 10th July 1933, on the subject noted above, I have the honour to transmit herewith two copies of the Review of the Appropriation Accounts of Railways in India for 1931-32 prepared by the Financial Commissioner of Railways.

APPENDIX III.

Statement giving particulars of Railway Advertisements in connection with the "Hill Station Advertising" campaign during 1929-30, furnished by the Railway Department on the 9th March 1933 with reference to paragraph 3—Item No. 83—of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part II.

		Place of publication.		Inser- tions.	Space occupied.
<i>Central Publicity Bureau—</i>					
Madras Mail	..	Madras	..	2	80×2—160".
The Statesman	..	Calcutta	..	1	154".
The Times of India	..	Bombay	..	1	4 Columns.
<i>Great Indian Peninsula Railway—</i>					
The Times of India—Daily Edition.		Bombay	..	7	4 Col. full page depth. 3 „ ×8½". 3 „ ×10". 3 „ ×10". 3 „ ×8". 3 „ ×9". 3 „ ×8".
<i>East Indian Railway*—</i>					
The Statesman	..	Calcutta	..	6	60"×3 Col.
Englishman	..	Calcutta	..	6	60"×3 Col.
The Times of India (Weekly)		Bombay	..	4	32"×2 Col
Capital	..	Calcutta	..	2	20"
<i>Bengal Nagpur Railway—</i>					
Madras Mail	..	Madras	..	5	8" 8" 12" 14" 14"
<i>Bombay, Baroda and Central India Railway—</i>					
The Times of India	..	Bombay	..	3	58 Column in. 120 " 92 " 48 " 32 " 56 " 30 "
Bombay Chronicle	..	Bombay	..	2	
Indian Daily Mail	..	Bombay	..	2	

* In addition to this, special letter press advertisements were inserted in all those papers, viz., the "Statesman", "Bengalee", "Capital" and "Commerce" with whom this Railway has contract space. Regret particulars of the number of insertions of these advertisements and the space taken up by same are not readily available.

		Place of Publication.	Inser- tions.	Space occupied
<i>North Western Railway—</i>				
Himalaya Journal	..	Calcutta	..	2 pages.
Civil and Military Gazette		Lahore	..	159 inches.
Tribune	..	Lahore	..	156 „
Hindu Herald	..	Lahore	..	168 „
Hindustan Times..	..	Delhi	..	160½ „
Daily Chronicle	..	Delhi	..	162 „
Muslim Outlook	..	Lahore	..	24 „
Daily Gazette	..	Karachi	..	24 „
North Western Railway				
Supplement to the Indian				
State Railway Magazine		Lahore	..	12 Front page. per year.
Daily Inqilab	..	Lahore	..	2 Half page.
Daily Siyasat	..	Lahore	..	2 Half page.
Tahzib-i-Niswan	..	Lahore	..	2 Full page.
Nairang-i-Khryal	..	Lahore	..	1 Full page.
Shabab-i-Urdu	..	Lahore	..	1 Full page.
Adabi Dunya	..	Lahore	..	1 Full page.
Daily Al-Aman	..	Delhi	..	2 Half page.
Al-Khalil	..	Delhi	..	2 Half page.
N'auji	..	Amritsar	..	2 Half page.

APPENDIX IV.

Memorandum on the earlier preparation of monthly accounts, furnished by the Railway Department on the 7th August 1933 with reference to paragraph 63 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part II.

In paragraph 28 of the Director of Railway Audit's Report on the Appropriation Accounts for 1930-31 certain suggestions were made for the purpose of expediting the submission of monthly accounts, and, at the instance of the Public Accounts Committee, the Controller of Railway Accounts undertook to examine these suggestions. The Committee asked for a report this year on the extent to which these suggestions had been found feasible and how far they had achieved the object in view.

2. The Director of Railway Audit, in consultation with whom the Controller of Railway Accounts has been examining the suggestions, found it necessary to re-examine the whole question in consultation with his subordinate Audit officers. As a consequence, there has been some delay and the final views of the Director of Railway Audit were received by the Controller of Railway Audit only in the beginning of July. The Controller of Railway Accounts is examining these suggestions and a further report on the subject will be submitted to the Public Accounts Committee next year.

APPENDIX V.

Report on the working of the " Rules for the maintenance of Priced Stores Lists on State-managed Railways " promulgated with Railway Board's letter No. 3688/S, dated the 22nd September 1931, furnished by the Railway Department on the 7th August 1933 (vide remarks against item 74 of Appendix I to the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II).

Since the above orders were issued, the desirability of uniform Price Lists being maintained on all State-managed Railways was considered by the Railway Board ; and it was decided that the East Indian Railway's new detailed lists of stores might, with alterations to suit local conditions, be advantageously adopted by other State Railways

2. The progress made is shown below :—

East Indian Railway—Price and Part lists have been prepared for all items in stock on this Railway with the exception of 20 per cent of the E a 1 class (Locomotive Parts and Fittings). This exception, it is hoped, will be completed by the 15th August 1933. The work has taken about three years to complete.

A standard description has now been given to each item and, in addition, diagrammatic drawings of the fittings have been prepared. These drawings make it clear to the indentors what items are to be indented for and eliminate requisitioning for a wrong fitting

Copies of all Price, Part lists and Drawings have been forwarded to other State Railways to enable them to complete new lists and remodel existing ones on the lines of the East Indian Railway procedure.

Owing to stringency of funds and consequently the difficulty of finding additional staff, it was decided to concentrate on the preparation of the lists and to postpone the revision of the rates for a short time. Now that the preparation of the Lists has been practically completed, revision of the rates is in hand. The rates for two classes of stores have been revised and issued. Rates for the remaining classes will, it is hoped, be revised before the end of this financial year. A procedure has now been introduced under which the rate for each item will be examined annually and revised if necessary.

Monthly revisions of all items of which new supplies have been received during the past month are made whenever necessary. The rate of the new supply is compared with the book rate, and if there is an appreciable difference between the book and new supply rates, average rates are struck and issues are then made at the revised rates. This procedure ensures that stores are not issued at out-of-date rates

Great Indian Peninsula Railway—A printed Price List has been in use on this Railway for many years, which is being recast in conformity with the latest procedure introduced on the East Indian Railway. The work is in hand.

Eastern Bengal Railway—A detailed report received from the Railway shows that satisfactory progress is being made

North Western Railway.—The preparation of a revised Price List has been in hand since 1931. Out of 46 classes, two are not being changed, 31 have been revised and brought into use, 8 are under print and 5 are in course of preparation.

General—A meeting will shortly be held between the Controllers of Stores of the State-managed Railways and the Railway Board at which the progress made in this work will be reviewed and the further steps to be taken considered in the light of the difficulties that have been experienced. It is also intended to review this question of up-to-date Price lists every year at the meeting of the Controllers of Stores with the Railway Board.

APPENDIX VI.

Memorandum of doubtful cases of " New Service " appearing in the Accounts for 1931-32, furnished by the Auditor General on the 29th June 1933 with reference to paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1927-28.

The following doubtful cases of ' New Service ' are submitted for the consideration of the Public Accounts Committee.

2. *Locomotive Running Shed at Bhusawal* —In May 1929, the Railway Board sanctioned an estimate amounting to Rs 5,25,543 for the provision of a Divisional Loco. Repair Shop at Bhusawal. For various reasons the scheme was, however, reconsidered and a fresh estimate was sanctioned by the Railway Board in June 1931 amounting to Rs 3,50,549 (Rs 3,50,189 chargeable to Capital and Rs. 360 chargeable to Revenue) for additions and alterations to the Locomotive Running Shed at the same place. No specific provision of funds for either of these works was made in the budgets of these years. While sanctioning the latter estimate, the Railway Board stated that, if funds were required for the work, they could be made available by the postponement of some less urgent work. The Railway Administration finally appropriated Rs 1,91,600 for these additions and alterations and against this amount expenditure of Rs 1,68,943 was incurred during 1931-32.

3. According to the precedent of Kadu Lake decision mentioned in paragraph 30 of Volume I of the Public Accounts Committee's Report on the accounts for 1928-29, the Director of Railway Audit considered that this project was a " new instrument of service ". As some expenditure had been incurred in 1931-32, and as there was then still an opportunity of remedying the defect, the Railway Board was requested by the Director of Railway Audit in his letter No D-6-64, dated the 26th February 1932, to obtain a supplementary vote from the Legislature. In reply to this the Director of Railway Audit was informed by the Railway Department in a letter, dated the 3rd March 1932, that they did not agree that the expenditure referred to could be considered as a ' new instrument of service '. They, however, left it to the Director to bring the matter before the Public Accounts Committee for a decision on the subject.

4. The reasons which led Sir Ernest Burdon to consider that the expenditure on this case is on a " new instrument of service " are as follows :—

" The original idea of the Railway Administration apparently was that there should be a Divisional Repair shop at Bhusawal the purpose of which would be to carry out repairs to Locomotives or stock which would otherwise have to be carried out in the main shops at Bombay. The advantage would be that the repairs would be executed more expeditiously on the spot than in the larger shops in Bombay where practically all the major repair work of the line is done. The additions to the Locomotive Running Shed constitute merely a less expensive method of doing, in part at least, what was to be done by the Divisional

Repair shop To a certain extent there is an additional service, as the repair facilities in Bhūsawal must to some extent be additional to those existing at Bombay. The case is analogous with the Kadu Lake decision mentioned above and is covered by that decision, the effect of which is really to make every substantial capital outlay on improving existing services a 'new service' or a 'new instrument of service' if there has been no provision for this capital outlay in the budget. Judged in the light of this decision, the expenditure on the additions to the Running Shed at Bhūsawal is a 'new instrument of service'."

5. These views were communicated to the Railway Department (Railway Board) but were not accepted by them. The reasons which led them to hold a contrary view were explained in their letter to the Auditor General, No. 1669-B., dated the 4th January 1933, as follows —

"The main reasons for the Government of India holding that the expenditure on the Locomotive Running Shed at Bhūsawal is not a new service is that it is only one of the innumerable cases in which railways have to incur from day to day additional capital expenditure in order to deal with the necessities of traffic. The work consisted only of additions to an existing Locomotive Running shed in order to provide for adequate maintenance facilities at Bhūsawal Depot where it was considered a breakdown would be a most serious matter. Funds could not be provided for the more ambitious scheme, which was originally sanctioned by the Board in 1929, and consequently it was decided on the representation of the Agent to make the minimum improvements in the maintenance facilities of the Depot necessary to enable Bhūsawal adequately to handle its day-to-day engine maintenance, and the money was provided by reappropriation within the sanctioned budget. The Railway Board are of opinion that such minor improvements should not be considered as a new service."

The necessity and urgency of the work mentioned by the Railway Department are not open to dispute but, in the opinion of Sir Ernest Burdon, emergency is no argument relevant to the question whether the work constituted a 'new service' and on which the views expressed by him in paragraph 4 above remain unmodified.

6. *Installation of wireless sets on Railways.*—The Government of India (Railway Department) sanctioned the installation of four wireless sets, one on the Great Indian Peninsula at Bombay, two on the North Western at Delhi and Lahore, and one on the East Indian at Calcutta. The total estimated cost of these installations is Rs. 1,43,310 (Bombay Rs. 34,597, Delhi Rs. 31,596, Lahore Rs. 30,425 and Calcutta Rs. 46,692) and the following expenditure was incurred on them in 1931-32 for which no specific provision was made in the budget—

		Rs.
Bombay (Great Indian Peninsula Railway) ..	..	26,298
Calcutta (East Indian Railway) ..	..	28,415

It is considered that these installations involve a form of service which, as applied to Railways, is entirely new. The expenditure therefore appears to come within the scope of rule 50 (1) (ii) of the Indian Legislative Rules and must be regularised *ex post facto* by the Legislature in the manner recommended by the Public Accounts Committee in paragraph 29 of their Report on the accounts of 1930-31, Part II—Railway Accounts (Government of India, Finance Department, letter No. F. XV-1-Ex II/32, dated the 12th December 1932).

7. This view has not however been accepted by the Railway Department and the reasons which led them to a different conclusion have been explained in their letter to Director of Railway Audit, No. 1821-B., dated the 4th May 1933, reproduced below —

“The reasons which led the Government of India to arrive at the decision that the installation of wireless sets mentioned in the draft paragraph was not a ‘new service’ are as follows. What is new about the installation of these sets is not that Railways should not have their own telegraphic or telephonic service—for they have always had, and from time to time extended, such a service—but that this extension of the service is a wireless and not a wired extension. Though there were special reasons of an emergency character which led them to make the extension in this form at the particular moment, they could not draw any real distinction between a change over from wired to wireless telegraphic communication and any other improvement due to modern invention, for example, the change to super-heated locomotives. Even apart from this, the ‘emergency’ provision which the Government include as the result of a recommendation of the Public Accounts Committee, was specifically designed to avoid the necessity for asking for a supplementary grant when the chances of the year threw expenditure on Railways which could not be foreseen at the time of budgeting.”

8. As almost every new alteration or improvement follows from some scientific discovery, the first argument employed by the Railway Board could be used to explain away many cases of ‘New Service’ (*e.g.*, the electrification of a railway). I consider that a change from “wired” to “wireless” communication involves a most important alteration in character of an existing facility even if it does not constitute the adoption of a new policy; and in general constitutional practice I believe that important modifications in character of existing facilities are considered as introducing a ‘new service’.

9. The argument of the Railway Department relating to the “emergency provision” raises certain important questions. The recommendation of the Public Accounts Committee was as follows:—

“We take this opportunity of suggesting that individual items in the demands for grants presented to the Assembly should not contain a margin for emergent expenditure of this character, and that, as a corollary to this, a specific but reasonable reserve provision might be made therein to meet such expenditure.”

I can confidently assume that it was not the intention of the Public Accounts Committee that the existence of an emergency provision could be used to discount any objection in audit to unforeseen expenditure as having been incurred on a 'New Service'. Only such unforeseen expenditure can legitimately be covered by this provision as is declared, before it is incurred, to be so urgent that it cannot be postponed until a vote of the Legislature is obtained. The existence of the reserve cannot affect expenditure that is not in fact met from it and failure to obtain a vote of the Legislature cannot be excused by a statement that the expenditure might have been met from the emergency provision. Further it is doubtful whether the Public Accounts Committee ever intended to give the executive Government a free hand to incur expenditure on a 'new service' through this emergency provision.

10. *General* — In this connection it has been brought to my notice by the Director of Railway Audit that quite irrespective of the intrinsic difficulty of distinguishing clearly in many instances whether a new service not provided for in the budget of the year is, or is not, involved in a particular item of expenditure, it does not appear generally to be appreciated by officers in the Railway administration that, if such a 'new service' is concerned, funds must be specifically provided (either in full or in token) by the Legislature itself and that a mere reappropriation of savings for the purpose does not satisfy the requirements of the law.

APPENDIX VII.

Statement of the actual action taken by Government on the proposals for retrenchment made by Mr. A. C. Badenoch, C.I.E., I.C.S., in his report dated the 26th April 1932, furnished by the Finance Department on the 25th July 1933 with reference to paragraph 13 (m) of the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

1. The proposals for retrenchment made by Mr. A. C. Badenoch, C.I.E., I.C.S., in his report, dated the 26th April 1932 on the Limitation of Audit and Retrenchment in the Railway Audit Department were discussed in a Conference of representatives of the Finance and Railway Departments and the Auditor General. The proposals relating to the limitation of test audit were generally accepted subject to any modification of detail which closer examination proved to be necessary. The proposals regarding retrenchments were also accepted *in toto*. The latter proposals involve the following changes in the Gazetted posts :—

(i) Conversion of—

(a) The Class I posts of Deputy Director of Railway Audit and Deputy Chief Auditor, North Western Railway, into Class II posts of the General List ;

(b) The posts of Chief Auditor, Clearing Accounts Office, and Chief Auditor, Eastern Bengal Railway, which are posts in Class II of Accountants General, into posts of Class I of the General List ;

(c) The Class II posts of Deputy Government Examiner, Assam-Bengal Railway, and Deputy Government Examiner, Madras and Southern Mahratta Railway, into posts of Assistant Audit Officers ;

and (ii) The abolition of—

(a) The Class I post of Deputy Chief Auditor, East Indian Railway ;

(b) The Class II post in the office of the Chief Auditor, Clearing Accounts Office, which is now unfilled and one Class II post in the number of leave reserve in the Indian Audit and Accounts Service, and

(c) One permanent post of Assistant Audit Officer in the office of the Deputy Chief Auditor, Burma Railways, and three temporary posts—one in each of the offices of the Director of Railway Audit and the Chief Auditors, North Western and Great Indian Peninsula Railways. The total effect of these proposals is as follows :—

			Accountants General	Class I.	Class II.	Assistant Accounts Officers.
Reductions	...	..	2	3	3+1 (leave reserve)	4 (3 temporary)
Increases	..	..	..	2	2	2
Net result	..	..	—2	—1	—2	—2 (temporary)

2. The proposals have been approved by the Government of India and the Secretary of State. It has also been decided that the selection grade posts of Accountants General and Class I proposed to be reduced should be held in abeyance as administrative considerations render this possible and be actually abolished formally on the occurrence of permanent vacancies in the grades of Accountants General and Class I after 1st September 1933. As regards the disposal of officers of the Indian Audit and Accounts Service rendered surplus in consequence of these retrenchments it has been decided that primary reductions should be effected by absorption in vacancies occurring in the normal course, it being, however, open to the Auditor General to propose discharges on the principles already accepted by the Government of India if circumstances make this a convenient and economical course to follow.

3. According to the agreement reached in the Conference the post of Chief Auditor, Railway Clearing Accounts, has been down-graded from 19th March 1933. It has also been possible to down-grade the post of Deputy Chief Auditor, North Western Railway, from 1st April 1933. As regards other selection grade posts, it has been decided that the posts of Chief Auditor, Eastern Bengal Railway, and Deputy Director of Railway Audit should continue until the beginning of the cold weather of 1933 and that the remaining Class I post of Deputy Chief Auditor, East Indian Railway, should be reduced at any rate in connection with the changes consequent on the postings for the cold weather of 1933-34.

4. The total effect of retrenchments, so far as they relate to the non-gazetted staff in the Railway Audit Department, is as follows.—

		Senior Auditors.	Junior Auditors.	Upper Division Clerks (including clerks on fixed pay of Rs. 100 or Rs. 110).	Lower Division Clerks (including clerks on fixed pay below Rs. 100).	Steno- graphers.
Reduction	..	7	8	41	12	1
Addition	..	..	..	..	27	..
Net result	..	—7	—8	—41	+15	—1

5. The total annual average savings from the retrenchment measures as estimated in Mr. Badenoch's report are Rs 2,63,784.

6. It has also been accepted that, as Company Railway Accounts form part of Government Accounts in the same way as State Railway Accounts, the same degree of audit must be applied to Company Railway transactions. It has accordingly been decided to make the extended Audit Scheme permanent.

7. With reference to the remarks of the Public Accounts Committee that the scope for retrenchment in Railway Audit is limited and that, in view of the volume and complexity of Railway transactions, any drastic attempt at retrenchment might involve risks, which could not be lightly undertaken, the Auditor General has satisfied himself that the acceptance of the proposals will not involve any undue risk but if, in course of time, it is found that there is

actual and serious loss of efficiency due to the reduction of the higher posts, he will address the Government of India and submit such proposals as circumstances may suggest

8 In order to consider the possibility of effecting further economies, it was also agreed in the Conference—

- (1) that the question of reducing the status of the Chief Auditors, North Western Railway, Great Indian Peninsula Railway and East Indian Railway to that of Class I of the Indian Audit and Accounts Service may be revived later if conditions under the new constitution suggest the reopening of the question,
- (2) and that the Class I post of Deputy Government Examiner, Bengal Nagpur Railway, should be continued as a temporary post for one year only and its reduction to Class II status be considered at the end of that period.

APPENDIX VIII.

Instructions issued to Railway Administrations on the Appropriation Accounts of Railways in India for 1931-32 and the Report of the Director of Railway Audit.

Letter from the Railway Department (Railway Board), to the Agents of various Railways, No. 1728-B., dated the 7th August 1933.

I am directed to draw your attention to the Appropriation Accounts of Railways in India for 1931-32, and to the Report of the Director of Railway Audit thereon as well as to the Auditor General's remarks, a copy of which is enclosed for your information.

2. The Railway Board are glad to note that in the opinion of the Director of Railway Audit, increased interest and activity has been noticeable on most railways in the matter of the control of expenditure. They trust that both the Administrative and Accounts Officers will devote careful attention to this in order to improve the detailed machinery for such control.

3. Among the various points that the Director of Railway Audit has brought to notice in his Report, all of which deserve careful study, the Board desire to mention a few to which they consider special attention might be profitably directed.

Paragraph 21.—The Board note with concern the increase in the cases of defective budgeting and misclassifications brought out in this paragraph, and hope that as a result of the instructions given in paragraph 3 of this office letter* No. 1728-B., dated 29th August 1932, the position will show an improvement in the Accounts of 1932-33.

Paragraph 32.—*Limiting expenditure to allotments.*—On the question of Railway administrations limiting expenditure to the reduced allotments sanctioned by the Railway Board, instructions were issued in this office letter No. 1692-B., dated the 16th December 1932. The Board trust that steps have been taken to provide that expenditure is limited to the amounts allotted and distributed by the Board in their Budget Orders.

Paragraph 33 (b) ; Reasons for reappropriations.—The Board commend the suggestion made by the Director of Railway Audit in this paragraph. It would greatly facilitate and expedite the preparation of the Appropriation Accounts if reasons are recorded at the time of making reappropriations.

Paragraphs 104—113.—*Doubtful investments.*—In these paragraphs a number of instances of apparently infructuous expenditure have been given. In this connection attention is invited to the instructions already issued in this office letter No. 33/256-S., dated 8th July 1933, in which it has been laid down that before any substantial changes in methods, designs, materials, plant and equipment are introduced on a large scale, a preliminary investigation, or experiment on a small scale, should be carried out in order to make certain that the changes proposed are reasonably likely to be successful.

*Appendix XVI to the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

Paragraphs 128—139.—Contracts.—The new Contract Rules contained in the Revised State Railway Code (recently issued) prescribe the procedure to be adopted by railway administrations in regard to the giving out of contracts and altering them. The instances cited in paragraphs 131—135, however, point to the desirability of railway administrations reviewing, wherever possible, all long term contracts and contracts of indefinite duration with a view to revising them to the Railway's advantage in view of the present day economic conditions.

Paragraphs 161—168.—Purchase of Stores. In this office letter's No 1728-B, dated 29th August 1932 and 10th November 1932, it has already been stated that purchases are to be restricted to urgent requirements and that it should be made clear that Controllers of Stores are expected to take every possible step to avoid the unnecessary purchase of stores. No doubt in some of the cases mentioned by the Director of Railway Audit, it was not possible to utilise the material owing to the present financial stringency, but there are others which call for a strict adherence to the principles enunciated above.

Paragraph 180.—The suggestion contained in this paragraph is commended for your consideration. Attention is invited in this connection to the provisions contained in paragraph 217 of the State Railway Open Line Code, Volume II, which is reproduced below :—

“Cashiers, Pay Masters, Pay Clerks, Sub-storekeepers and Depot Storekeepers, holding direct charge of stores, whether appointed permanently or temporarily, must furnish security under the general rules contained in the following paragraphs, the amount being regulated according to circumstances and local custom in each case under the sanction of the Manager. Lower subordinates and all traffic subordinates entrusted with the custody of cash or stores may be required to furnish security at the option of the Manager, who shall determine whether the amount shall be paid in lump sum or by deductions from salary.”

Paragraph 182.—Losses of Stores.—The defects which rendered it possible for the theft mentioned in this paragraph to be committed should be guarded against.

Paragraph 185.—Security Deposits.—The action taken by the Bombay, Baroda and Central India Railway in regard to security deposits from certain categories of temporary employees is commended for your consideration.

Paragraphs 188—198.—Apportionment of earnings.—The Board note with concern the numerous cases of wrong apportionment between working and worked lines. They agree with the Director of Railway Audit's criticism in this respect, and trust that necessary steps have been taken by all railway administrations to prevent the recurrence of such mistakes in future.

Paragraphs 216—228.—Residential Buildings.—The revised Rent Rules referred to in paragraph 228 have already been issued as one of the Sections of

the Revised State Railway Code. The Board are aware that railway administrations appreciate the importance of the considerations brought to notice in this paragraph and are trying their best to secure an adequate return on the capital invested in houses, etc.

Paragraphs 230-238.—Inspections—You have already been requested in this office letter* No. 1728-B, dated 29th August 1932, to impress on all your Accounts and Administrative Officers the necessity of inspections and particularly an occasional inspection of the various Executive offices.

Paragraphs 239-245.—Inter-Railway Settlements—The Railway Board have been informed that steps are being taken by railway administrations to speed up an agreement on all outstanding cases of inter-railway settlements, and they hope that the agreements in all these cases will be executed without delay.

* Appendices XVI and XXI to the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

APPENDIX IX.

Memorandum on the Colliery Accounts furnished by the Railway Department on the 24th October 1933.

The accounts of Railway Collieries were presented in a commercial form for the first time with reference to the accounts of the year 1930-31. The Public Accounts Committee which examined these accounts, while approving generally the form of the Commercial accounts adopted, desired that the accounts should be amplified and notes and explanations given, where necessary, as to how the figures relating to the assets given therein were arrived at, and so forth. An Assistant Accounts Officer was accordingly placed on special duty a few months ago in order to overhaul the accounts of State Railway Collieries generally, and also to examine certain cognate matters relating to budgeting arrangements the sinking and depreciation funds, cost of production, etc. His reports which deal largely with matters of detail have disclosed certain mistakes which have been set right. Generally speaking, these mistakes, however, are not so serious as materially to vitiate the cost of production figures in the past.

2. The more important of these items are set out below :—

(a) The records of Capital Expenditure will in future be maintained in more detail to facilitate the preparation of the Balance Sheet and other returns in the detail required by the Public Accounts Committee.

(b) Some of the figures in the accounts were taken from statements received from the Colliery Managers and not from figures verified by the Accounts Office. It has now been decided to build up the accounts from vouchers checked in the Accounts Office.

(c) Certain items of expenditure, *e.g.*, interest, provident fund bonus, gratuities, repairs to colliery sidings, etc., were being generally exhibited in the working accounts of the collieries only *pro forma* without being included in the issue price of coal, the corresponding credit entry in the working account being shown as a *pro forma* loss. It has now been decided to adjust them by debit to the working account so as to include them in determining the issue price of coal.

(d) A sum of Rs. 6 lakhs odd representing Capital Expenditure of Giridih Colliery prior to 1880 was not previously included in the balance sheet. This has now been done.

(e) For the purpose of the *pro forma* entries interest was being calculated in the case of Giridih Colliery at 5½ per cent. on the assets, whereas it ought to have been charged at 3·3 per cent. on capital expenditure incurred up to March 1917 and at the average rate in respect of subsequent expenditure.

(f) Certain supervision charges in respect of stores supplied to Collieries from railway depots had not been debited to Collieries. These will now be added on and reflected in the issue price of coal.

(g) Proper cost accounts will now be maintained for the Power House attached to certain Collieries.

(b) The present procedure (which is not uniform) of bringing to account the unliquidated liabilities of a year in the accounts of the year is being revised. The procedure of exhibiting the opening and closing balances of stock of coal and the rate at which they are to be shown are also being examined.

3. At present, no contributions are made to the Depreciation Fund in respect of assets of collieries. On the other hand, the assets are written down every year through a sinking fund adjustment at a flat rate of so much per ton based on the capital outlay and the estimated deposits under-ground. This arrangement is not quite satisfactory because it does not ensure that the cost of machinery and heavy plant is written off within their life time. As a consequence, with every addition or replacement of machinery and plant, capital expenditure goes on progressively increasing with the result that the sinking fund rates per ton have to be increased from time to time. In future it is proposed to separate the contributions for depreciation and sinking funds, the former being confined only to certain large items of machinery and plant and being so calculated as to charge off the whole cost of the asset to the working account before the expiry of its normal life-time, and the latter providing for the gradual extinction, within a reasonable time not exceeding the estimated life of the mine, of all other capital expenditure, less residuary value of the mine and plant, if any. The contribution for depreciation, however, will not be accumulated in a fund but used to write down the assets from year to year. A periodical review will also be made of the adequacy of the sinking fund contribution say, every 5 years, though it is hoped that if the estimate in the first instance is made on a conservative basis, it may not be necessary materially to vary the sinking fund rate per ton from time to time. The sufficiency or otherwise of the existing sinking fund rates in respect of certain collieries is separately under examination.

4. Many of the corrections necessitated by the overhaul of accounts referred to above have been carried out in the printed balance sheets, etc., of Collieries for 1932-33 presented to the Public Accounts Committee, while other points are, as explained above, under consideration. Suitable explanatory notes have also been given, where necessary, in the balance sheets and other returns for 1931-32.

APPENDIX X

Memorandum by the Railway Board on the Fraud Case in the North-Western Railway Workshops reported in paragraph 233 of the Director of Railway Audit's Appropriation Report for 1931-32 (vide Paragraph 29 of the Proceedings in this Part—page 18).

When the frauds came to light in 1930, the defects in procedure were immediately set right and the following changes introduced —

- (a) All muster rolls received from the Time Office for completion in the Workshops Accounts Branch now bear on each page in ink the total of the time shown on that page and also the signature of the Head Time Keeper.
- (b) In the Accounts Office the amounts filled in by one clerk are checked by another, and this check embraces not only the details against each man but the money totals on each page and the summary.
- (c) Accounts clerks employed on filling in the money columns and on checking them are not employed on paying the relative bills. For this purpose a register has been opened showing the names of the clerks compiling and checking each muster roll and the name of the clerk selected for paying the muster roll.
- (d) The sub-heads check the totals in respect of 20 per cent. of the pages in each muster roll and some individual entries in addition to checking the summary completely. The check by the Accountant has also been made closer.
- (e) The Section Officer, after receiving all the month's muster rolls checks 5 per cent. of the page totals, 10 per cent. of the summaries and 10 per cent. of the analyses showing the amounts remaining unpaid.
- (f) Arrangements have also been made for the systematic comparison of the total of each muster roll with the total of the corresponding muster roll for the previous month.
- (g) It has also been arranged that no checking clerk should take the assistance of any other clerk without the written orders of the sub-head, and if such assistance is given, the name of the assisting clerk should also be entered along with that of the compiler in the register prescribed. See (c) above.
- (h) The question of improving the existing reconciliation between the totals of the muster rolls and the totals of the job cards is under active consideration.

2. The previous procedure which had been in force for a long period was faulty mainly inasmuch as it did not necessarily ensure that the same person who calculated the amounts payable did not also check them and make payments according to them.

3. As regards disciplinary action, it has been decided not to punish the sub-heads, since the investigation made by the Chief Accounts Officer has disclosed that, under the long standing procedure, the sub-heads were *not* required to check the page totals of the muster rolls. As regards the Accountants, one of the Accountants is now working in the Audit Department and the Director of Railway Audit has stopped his increment for one year. The other two Accountants who are still in the Accounts Department, were in-charge, however, for short periods, and it has been decided that the increment of one should be withheld for a period of six months and a sum of Rs 90 should be deducted from the gratuity of the other. As regards the gazetted officers, the Chief Accounts Officer has recommended that, in view of the fact that the procedure was of long standing and in view of the very heavy work which fell to the lot of the Workshops Accounts Officers in the days when the frauds took place, no disciplinary action should be taken against the gazetted officers concerned. The Controller of Railway Accounts has endorsed the Chief Accounts Officer's views and the Financial Commissioner has accepted them particularly in view of the practical impossibility of apportioning responsibility at this distance of time and of the fact that there were five different officers-in-charge during the period of less than three years covered by the frauds.

4. The proposal made by the Director of Railway Audit that workshop staff should in future be paid by the Cashier's staff instead of by the staff of the Accounts Department has been carefully considered but it is likely to cost Government much more than at present since it would be either necessary to make payments during the workshop hours, thus causing heavy loss in workmen's time or to make other expensive arrangements to make payments in the workshops as at present in a couple of days after workshop hours. Moreover, the proposed reform is unnecessary so long as it is ensured that the clerks making the actual payments are not the same as those who have had anything to do with the compilation of the particular muster rolls and that the totals on the muster rolls are checked independently.

5. As regards the delay in taking disciplinary action, time was lost between February 1930 and January 1931 in the belief that the departmental investigations might prejudice the enquiries which the Police were then making. The nature of the frauds necessitated an elaborate re-examination of the payments in the entire workshops for a fairly long period; and this examination was made by the Police in consultation with the Chief Accounts Officer. In January 1931, the case went before the Magistrate and the trial went on till the end of that year, judgment being delivered on the 23rd January 1932. The clerk then appealed against the Magistrate's judgment and the final judgment of the High Court was delivered only on the 2nd of December 1932. During all this period, from the beginning of 1931, the relevant records were all filed in the Court and no action could be taken by the Chief Accounts Officer until the records had been returned by the High Court. The records were received back from the High Court only in March last and the Chief Accounts Officer who was new to the case had to go through the voluminous records, make certain further investigations, obtain the supplementary explanations of the staff concerned in

regard to matters arising out of this further investigation and again re-examine certain questions arising out of such explanations before he could submit his report to the Controller of Railway Accounts. The magnitude of the work he had to do can be judged from the fact that this report, together with its accompaniments, covers over 169 pages of typewritten foolscap matter

6. It will be seen from the above that the delay in taking disciplinary action was primarily due to the decision taken by the Chief Accounts Officer (in consultation with the Police) not to take any departmental proceedings until the prosecution had been started. Instructions have now been issued that in such cases the fact that criminal proceedings may be, or have been instituted should not stand in the way of departmental proceedings being undertaken and concluded as expeditiously as possible

APPENDIX XI.

Memorandum regarding recovery of cost of stone supplied to a contractor, furnished by the Railway Department on the 6th March 1934 with reference to paragraph 26 of the Proceedings in this Part —page 18.

In paragraph 138 of his Appropriation Report for 1931-32, the Director of Railway Audit commented on a case in which the North Western Railway, after deducting from a contractor the cost of stone supplied by the Railway administration at the agreed rate on the basis of the usual method of truck measurements accepted later on, without taking legal advice the contractor's plea that the recovery should have been based on measurements of finished pitching and not of loose stone in trucks, and refunded a sum of Rs. 11,009 to the contractor. It was explained by the Financial Commissioner of Railways that the Railway Board had informed the North Western Railway that in their opinion the Chief Engineer should have consulted the Chief Accounts Officer and taken legal advice as to the proper construction of the clause in the contract before accepting the contractor's contention and making the payment.

The Public Accounts Committee expressed the desire that the Railway Board should obtain legal opinion on the point in dispute and whether it could be held that the amount was not payable under the contract and in that case, whether a successful attempt could be made to recover it now from the contractor; that, Government have been advised that, in the Railway's letter undertaking, if so requested by the contractors, to supply stone required for pitching, the provision regarding the supply of the stone in question is loosely worded, and in the absence of any correspondence or interview showing a different intention the wording of the letter would be held to mean that the price of stone to be recovered from the contractor had to be based on the amount of stone delivered on rail in the construction yard in accordance with the usual practice and not on the amount of stone in the 'finished pitching' on the work, which might be considerably less. They have been further advised that the contractor would not be held liable to repay the amount already paid if sued therefor in a court of law.

In the circumstances, no action can be taken to recover the amount from the contractor, but a circular letter (Annexure) has been issued to all railway administrations drawing their attention to the lesson to be learnt from this case.

ANNEXURE TO APPENDIX XI.

Instructions issued to Railway Administrations regarding the drawing up of contracts and the making of payments in connection therewith.

Letter from the Railway Department (Railway Board) to the Agents of various Railways No. 1818-B, dated the 31st March 1934

I am directed to invite your attention to the case reported in paragraph 138 of the Director of Railway Audit's Appropriation Report for 1931-32 and to state that the Government of India have now been advised that in the Railway's letter undertaking, if so requested by the contractor to supply stone required for pitching, the provision regarding the supply of stone, though loosely worded, would be held to mean that the price of stone to be recovered from the contractor had to be based on the amount of stone delivered on rail in the construction yard in accordance with the usual practice and not on the amount of stone in the 'finished pitching' on the work. The Government of India are further advised that the contractors would not be held liable to repay the amount already paid to them if sued therefor in a Court of Law now. The case has thus resulted in an extra expenditure to Government which would have been avoided (i) if the wording in the Railway's letter undertaking to supply stone had been precise so as to convey the exact intentions of the Railway, and (ii) if legal opinion had been taken before payment was made.

2. General instructions have already been issued regarding the care to be exercised in the drawing up of contracts and in making payments which are not strictly covered by the terms of contracts. Attention is specially drawn to rules 17 and 46 of the Chapter on contracts in the revised edition of the State Railway Code and to the observations on sections E, F and G made in the Railway Department's Circular letter No. 1728-B, dated the 29th August 1932 (Appendix XVI to the Public Accounts Committee's Report on the Accounts of 1930-31, Part II). The Railway Board desire that steps should be taken specially now to impress on all the officers concerned in the drawing up of contracts and the making of payments in connection therewith, the desirability of taking great care to see that the terms of contracts are as accurately worded as possible. Payments which are not exactly covered by the terms of the contracts should not be made without a thorough examination, and consultation with the financial and legal advisers of the railways wherever necessary.

APPENDIX XII

Note on the Report by the Director of Railway Audit on the financial results of the Bombay Electrification schemes, furnished by the Railway Board on the 23rd March 1934 with reference to paragraph 14 of the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

The attached report of the Director of Railway Audit on the financial results of the electrification schemes on the Great Indian Peninsula and the Bombay, Baroda and Central India Railways (Annexure) has been prepared in accordance with the desire expressed by the Public Accounts Committee. It has been drawn up by him in consultation with the railway administrations concerned who accept the correctness of the financial results shown in it. In accepting his facts and conclusions the Railway Board desire to stress another aspect of the question

2. In the first place, the Board wish to draw particular attention to the fact that the position as envisaged when the schemes were taken up was so different from the position that was actually in existence when they were completed that it is extraordinarily difficult, not only to make but to draw any useful conclusions from comparisons of final results with original anticipations. From a practical point of view they consider that the important point is to ascertain how much Railways can reasonably be said to have saved by electrification and what percentage these savings bear to the additional expenditure incurred. Taking the figures in the report it will appear that the percentage of net savings on the net outlay is as follows —

					G. I. P.	B. B. & C. I.
1930-31	..	..	..	..	4.80%	6.26%
1931-32	..	..	..	..	5.37%	8.28%

As they stand, these figures may be considered to be satisfactory.

3. These percentages have however been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra steam outlay that would have been required for increased traffic if no electrification had been carried out. This last is problematical. Increased traffic has not materialised to the extent that was anticipated and it is possible that some part of this estimated saving should be neglected. If the whole of it is neglected the percentage will be as follows —

					G. I. P.	B. B. & C. I.
1930-31	..	..	..	..	3.12%	1.29%
1931-32	..	..	..	..	5.63%	2.22%

4. The real percentage of net savings for each railway probably lies between the figures in the last two paragraphs and, in all probability, more near the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case even if electrification had not been introduced, in order to improve the capacity of the line, though it is not now possible to state with any degree of accuracy the number of additional steam

locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, and for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

5. A large part of the difference between the estimated savings and actual savings on the Bombay, Baroda and Central India Railway is due to the fact that some drivers are being continued as motormen on higher rates of pay than they were expected to have to be paid. It is understood that this matter is receiving the attention of the administration and active steps are being taken to set the position right as soon as possible.

ANNEXURE TO APPENDIX XII.

Financial results of the electrification of the Bombay Railways

INTRODUCTION.

1. In their report on the accounts for 1929-30, the Public Accounts Committee emphasised the desirability of obtaining an accurate picture of the financial effects of electrification on the various railways. They recommended that the question should be scientifically studied by the Railway Board. In a memorandum submitted by the Railway Board to the Public Accounts Committee of 1930-31 (Appendix VI to the report of the P. A. C., Volume I, Part II, page 65), the Railway Board came to the conclusion that until conditions of traffic approximated more closely to those postulated by the estimates, any fair comparison was impossible. The Board added that it would be in a better position to judge the results of electrification in India after a study of the report of the main line electrification of the London and North Eastern Railway and of the German State Railways. Meanwhile the Director of Railway Audit had made a rough attempt to compare the results of electrification with the estimates on which the schemes had been originally justified. His report, which, as was pointed out by him, was no more than a first approximation, was brought to the notice of the Public Accounts Committee of 1930-31. The Railway Board furnished a critical memorandum on this report together with certain figures compiled by the Chief Accounts Officers (published as Appendices XIV and XV, to the Public Accounts Committee Report, Volume I, Part II). After considering the report of the Director of Railway Audit and the criticisms of the Railway Board, the Public Accounts Committee suggested the submission of a joint note by the Audit and Railway Departments which would set out the financial effects of electrification on the various railways on the basis of agreed figures. The present note represents an endeavour to meet the wishes of the Public Accounts Committee.

2. The electrification schemes carried out in India were to a very great extent justified by the Consulting Engineers on financial grounds and the Railway Board has itself suggested that it would be useful to ascertain from actual experience the extent to which anticipations have been realised. The method followed has been to compare the financial results of electrification as worked out on the basis of the estimates as they were originally framed, with the actual results.

GREAT INDIAN PENINSULA RAILWAY.

The estimates of the Consulting Engineers—Steam working.

3. Three main estimates were prepared on different dates in regard to the electrification of three different sections of the G. I. P. Railway. The Consulting Engineers adopted the method in all these estimates of ascertaining

the savings in working expenses due to the electrification of the services and of expressing these savings as a percentage of the gross additional outlay involved in electrification. For this purpose, they assumed a certain volume of traffic to be expected at a future date (in the years 1930 to 1933) and the justification of the schemes was worked out on the basis of this traffic. The following are the unit steam costs as estimated by the Consulting Engineers for the several services:—

	Suburban	Harbour Branch	Main Line
Estimated No. of steam train miles .. . (Lakhs)	15.82	3.50	33.99*
1. Fuel Annas per Tr. mile.	18.55	18.01	26.55
2. Water, oil, stores and sundry shed charges .. .	1.27	1.23	3.93
3. Locomotive repairs .. .	6.63	5.19	8.48
4. Cleaning and repair of coaches .. .	5.67	1.42	..
5. Train wages .. .	214	} 4.48	9.58
6. Running expenses and Drivers' wages .. .	5.53		
7. Special charges for ghat working—			
(a) Shunting in the ghat .. .	..	..	} 1.42
(b) Traffic delays in Division .. .	..	..
(c) Maintenance of released track .. .	..	..
Total annas per train mile .. .	39.79	30.62	52.96

*Excludes 2.09 lakhs of Ballast Train Miles.

4. The largest item of operating costs under steam working is "fuel" and this is the only item wherein variations of cost from year to year are readily and directly obtainable, although it is true that the present case is complicated by the impossibility of ascertaining with any degree of certainty, what the respective proportions of coal and fuel oil would have been in the years 1930—33 under conditions of steam working. It has been stated, and the statement has been generally accepted as correct, that the cost of coal has greatly decreased between 1923 and 1933, and that in estimating the cost of steam services in 1930—33 an allowance should be made for such decrease, the steam costs as worked out by the Consulting Engineers being correspondingly reduced. It may however be noted that the recorded pit's-mouth cost of Kargali Coal (the cheapest coal of suitable quality from a colliery owned by the State) has actually *increased* from Rs. 3-4-6 in 1922-23 to Rs. 4-0-10 in 1932-33, and that the freight and handling charges on this coal delivered at Kalyan) now aggregate Rs. 12-6-6 per ton as against about

Rs. 11-0-0 in 1922-23, *i.e.*, the cost of this coal, which is of the grade and price most likely to have been used on the services now electrified, has gone *up* by about Rs. 2-3-0 per ton. Central Provinces coal, owing to its low calorific value, would not have been used on the ghat and suburban sections. As regards oil fuel, a large quantity of which was previously used on these sections, the present day cost of oil is *greater* than its cost in 1923.

5. Other costs, such as wages, have increased and any apparent lowering in the costs of maintenance and repairs of steam locomotives in recent years may be attributed to improvements in workshop machinery, and expenditure on progress and production departments, elements of cost which are outside the adopted items of comparison. It is therefore difficult to estimate with any pretensions to accuracy the *probable* costs of these items of expense had steam working been reverted to in the various electrified sections in the years 1930-33.

Assumptions made.

6. It may be tentatively assumed that the costs per train mile under the different items of expenditure considered by the Consulting Engineers are generally cent per cent. "dependent". This assumption is correct where the variations in train service are not great. The actual total *suburban* traffic in train miles, for instance, does not differ widely from that originally estimated and the error in computing the costs of such traffic will be small, although in favour of electric working. The total *main line* traffic is, however, much less than that estimated originally and the error in computation will be much more appreciable. But the assumption will be in favour of *steam working* for the reason that that portion of the items of cost adopted which is not cent. per cent. dependent will remain more or less unaffected by variations in traffic and will therefore tend to raise the cost of operation per train mile *pro rata*, as the traffic falls short of the estimate on which the train mile costs were computed by the Consulting Engineers.

7. Another assumption which it is difficult to avoid making is that in the case of passenger services, the steam train miles which would have had to be worked would be about the same as the electrical train miles actually worked. This is an assumption made by the Consulting Engineers themselves. In the case of the suburban services, the actual train unit worked, whether "single" or "double", has been taken to constitute a train. This assumption appears to be a reasonable compromise between the all-single unit train and the all-double unit one; further, the number of single-unit train miles on the suburban branch in 1930-31 was only about a third of the total train miles on that section.

8. The equivalent steam train-miles for *goods services* could have been obtained by applying the same factor to the actual electric train miles as used by the Consulting Engineers. But in view of the small proportion of such train miles to the whole and the arguments in favour of avoiding the use of any "derived" figure, the steam goods train miles have been taken to be the same as the electric *train miles*. This assumption decreases the cost of steam workings by about Rs. 3.88 lakhs in 1930-31 and by Rs. 3.03 lakhs in 1931-32.

The cost of present traffic under steam.

9 On these assumptions the estimated cost under steam on the basis of the Consulting Engineers' unit costs *as applied to the train miles actually worked electrically in 1930 to 1932* is shown below. All the figures are in lakhs except the rate which is in annas.

Year	Suburban			Harbour Branch.			Main Line			Whole electrified service.	
	Train miles.	Rate.	Amt.	Train miles.	Rate.	Amt.	Train miles.	Rate.	Amt.	Train miles.	Amt.
		As	Rs.		As.	Rs.		As	Rs.		Rs.
1930-31	17.29	39.79	42.98	5.58	30.62	10.66	19.55	52.96	64.71	42.42	118.35
1931-32	15.11	39.79	37.51	5.00	30.62	9.57	21.72	52.96	71.89	41.83	118.97

The train miles for 1931-32 have been approximately divided between the Harbour Branch and the Suburban on the basis of the division in 1930-31.

Analysis of costs of steam working

10. The above figures for 1930-31 can be re-arranged so as to indicate the several items of cost, and this is done in the table below —

Items of cost.	Amounts as worked out entirely on the basis of the C. E.'s figures.	Amounts as worked out independently by the Administration.
	2	3
	Lakhs of rupees.	
1. Fuel	58.74	52.00
2. Running expenses including driver's wages, oil, water, etc., and train staff	28.17	33.26
3. Locomotive repairs	19.42	21.72
4. Cleaning and repairs of coaches	6.63	5.17
5. Special ghat charges	5.40	4.23
	118.36	116.38

Column 2 of this statement shows the amounts worked out independently by the Administration as the total cost of working these sections by steam in 1930-31, after making various assumptions for the different sections in the light of the observations made by different technical authorities. While the cost of fuel, without adjustment of any sort (Item 1, column 2) has been worked out at Rs. 58.74 lakhs on the basis of the figures of the Consulting Engineers, the Administration has put only Rs. 52 lakhs against this item. The Administration has stated that the average cost of fuel consumed in the electrified area in 1923-24 (oil having been reduced to a coal basis) was Rs. 20.62 per ton. If

the cost of fuel were Rs. 58.74 lakhs on this basis, the figure of Rs. 52.0 lakhs adopted by the Administration is equivalent to the cost of coal having been taken to be Rs. 18.26 per ton. That is to say, a reduction in fuel cost of Rs. 2.36 per ton has, in effect, been allowed for in the figures of the Administration. The all-in cost of Bengal coal delivered at Bombay was Rs. 17-14-9 per ton in 1930-31, and the figures of the Administration may therefore be accepted as having really allowed for a suitable reduction in the cost of coal. The Audit Department in the circumstances accepts the figure estimated by the Administration as the cost of working steam services in the electrified section in 1930-31.

The actuals under electrification

11 The total estimated cost under steam as arrived at above is to be compared with the *actual* costs booked in the accounts as the expenditure for the whole electrified system. The only adjustments which have been made are the inclusion of certain costs under General Administration as the extra cost due to electrification, and the adjustment of certain charges on account of train staff and station staff. The figures taken are those worked out by the Chief Accounts Officer. The deductions on account of percentage cut in pay, gratuities, etc., in these years have also been allowed for. Depreciation as actually booked has been *excluded*. The following are the results :—

(In lakhs of rupees)						
Year.		Adminis- tration	Repairs & Maint.	Operation	Adjustment.	Total
1930-31 ..	..	1.93	13.10	52.33	5.49	72.85
1931-32 ..	..	1.50	14.35	49.54	1.44	66.83

The difference between the steam and electrical costs is the saving due to electrification, which is to be compared with the extra cost of capital outlay due to electrification. These savings for 1930-31 are (116.38 *minus* 72.85) Rs. 43.53 lakhs. But in arriving at these savings the extra charges on account of depreciation on the capital outlay due to electrification have not been taken into account.

Depreciation of electrical assets.

12 An attempt was made to take the actual expenses on account of depreciation from the capital and revenue accounts. It was found, however, that it was impossible to isolate from the records the actual amounts set apart for the depreciation of the electrical assets of the sections of the line. For instance, in the depreciation for 1930-31 for power houses, the expenditure and adjustments of the power house at Bhūsawal were included in the year's figures. There were other difficulties also. The depreciation of multiple unit stock was included with the figures for steam locomotives and coaching stock. There was thus no alternative but to make a special calculation of the depreciation of the assets on account of electrification. The total capital outlay on electrification (including the Bhore Ghat and the Power House) is Rs. 942.65 lakhs. The depreciation as worked out is Rs. 23.82 lakhs which is equivalent to approximately 2.5 per cent. of the capital outlay.

Depreciation avoided.

13. Against this extra expenditure of Rs. 23·82 lakhs is to be set off the depreciation on the outlay on steam assets which has been avoided by electrification. The extra steam outlay for increased traffic, had there been no electrification, was estimated at Rs. 175·93 lakhs (81·68 *plus* 46·01 *plus* 48·24) by the Consulting Engineers. The cost of steam stock actually released by electrification and either sold or actually absorbed on other sections of the line, has also to be taken into account, as this represents a credit to the electrification estimates. It appears correct to take the depreciated value of such stock at the time of their transfer or sale as constituting the amount on which depreciation should be considered as having ceased for the purpose, and it has been estimated that the value of such stock is Rs. 172·98 lakhs, which includes steam locomotives, coal wagons and oil tank wagons.

Net additional depreciation.

14. The depreciation at 2·5 per cent. on the total steam outlay of Rs. 348·91 lakhs thus avoided works out to Rs. 8·81 lakhs, leaving a net additional charge on account of depreciation of electric assets of Rs. 15·01 lakhs (23·82 *minus* 8·81). The net saving in working expenses due to electrification therefore may be taken to be Rs. 28·52 lakhs (43·53 *minus* 15·01).

The capital cost of electrification

15. The capital cost of electrification up to March 1931 has been ascertained to be as shown below —

					Lakhs.
Suburban electrification	..	..	..	..	175·90
Harbour Branch electrification	..	..	..	..	78·02
Main Line electrification	..	..	..	..	500·25
Power House electrification	..	..	..	..	125·86
Bhore Ghat Realignment	..	..	..	..	62·62
				Total	942·65

The gross cost of suburban electrification has been taken into account. The cost of the Bhore Ghat realignment has also been included. This seems to be correct, as in a report on the Bhore Ghat Realignment scheme, it is stated that the "cutting out of the reversing station becomes a matter of more serious importance in view of electrification". It also appears from the same report that the elimination of the reversing station at Khandalla was a condition precedent to the increase of train loads. Further, the Consulting Engineers have included in the figures of steam working on the ghats the cost of the detentions to wagons and of the shunting at Karjat and Lonavla due to the breaking up of goods trains, and these factors have again been taken into account in the estimates for steam working adopted by the Administration.

Tabulated results.

16. Statement A appended to this note embodies figures worked out on the lines indicated above and shows in concise form the financial results

obtained in the years 1930-31 and 1931-32 as compared with those estimated by the Consulting Engineers.

17. The form in which the results are presented and the methods of calculation adopted have been accepted by both the Administration and the Chief Auditor as providing as fair and accurate a picture as practicable of the financial results of the G. I. P. Railway Electrification Schemes. The figures in the statement, which has been prepared by the Chief Auditor in consultation with the Chief Accounts Officer, are mainly those already included in the communications made by the Administration and printed as appendices to the Report of the Public Accounts Committee for 1930-31, and the conclusions arrived at are accepted by the Administration.

Conclusion

18. The difference between the return on gross capital outlay as estimated by the Consulting Engineers and that arrived at on the figures for 1930-31 is 2·72 per cent. (5·75 minus 3·03)—*vide* item 16 of Statement A. This is more than accounted for by the following two factors :—

1. Fall in traffic	.. 2·6 per cent.
2. Reduction in cost of coal for steam working approximately	. 0·8 per cent.

Total	. 3·4 per cent.

The figures for 1931-32 show an improvement on this result.

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY.

Estimated return on additional outlay

19. The Consulting Engineers estimated that with a traffic requirement of 16·60 lakhs of steam train miles expected in 1931-32 there would be a direct saving in total working expenses on supervision, maintenance and operation (but excluding depreciation and interest) of Rs. 16·39 lakhs (steam working Rs. 37·55 lakhs, electric working Rs. 21·16 lakhs).

20. The original estimates assumed that, in order to meet that traffic, an extra outlay of Rs. 72 lakhs on steam rolling stock would have been necessary if steam working had been continued. Further, it was anticipated that by substituting electrical working for steam at a total cost estimated at Rs. 204·28 lakhs, steam stock valued at Rs. 50 lakhs would be released and made available for sale or for use on other sections of the line as additions or replacements. In other words, the net additional outlay on account of electrification was estimated at Rs. 82·28 lakhs (204·28 minus 50·00 minus 72·00).

21. The depreciation on the additional electric outlay of Rs. 204·28 lakhs at 3 per cent. works out to Rs. 6·12 lakhs, but, as has been said, electrification was expected to release steam stock worth Rs. 50·00 lakhs on which depreciation would be no longer chargeable in respect of the electrified section. Electrification has also rendered it unnecessary to invest in the extra steam assets estimated to cost Rs. 72·00 lakhs that would otherwise have been necessary. The estimated additional cost on account of depreciation may therefore be

put at Rs. 6.12 lakhs *minus* Rs. 3.66 lakhs [*i.e.*, 3 per cent. of Rs. 122 lakhs (72.00 *plus* 50.00)] or Rs. 2.46 lakhs.

22. In the G. I. P. Railway case depreciation has been allowed for on a $2\frac{1}{2}$ per cent. scale. The reason for the difference is that the B. B. and C. I. Railway electrification (which obtains its powers from Tatas) included no such longer lived assets as the power house of the G. I. P. Railway project and works in the Ghat section.

23. By setting off the estimated extra charge (Rs. 2.46 lakhs) on account of depreciation on the additional capital outlay due to electrification against the estimated savings in working expenses of Rs. 16.39 lakhs referred to above an estimated net saving of Rs. 13.93 lakhs per annum is arrived at which is equivalent to 6.82 per cent. on the gross outlay of Rs. 201.28 lakhs and 16.93 per cent. on the net outlay of Rs. 82.28 lakhs (201.28 *minus* 72.00 *minus* 50.00).

24. In other words according to the estimates of the railway and the Consulting Engineers the savings in working expenses (including depreciation on the net Capital outlay) promised a return on the total extra capital outlay of 6.82 per cent., *without taking into account* either the stock released as a result of electrification or the cost of steam stock the purchase of which would be avoided by such electrification. Taking these two factors into account, the estimates promised a return of 16.93 per cent.

Actual return on additional outlay.

25. The train mileage actually worked electrically in 1930-31 was 1,181,802, equivalent in traffic capacity to 1,428,000 steam train miles. The Administration has estimated that the cost of working these 1,428,000 steam train miles would have been Rs. 29.35 lakhs applying the unit cost per train mile worked out by the Consulting Engineers in their estimates of the mileage for 1930-31 but lowering their estimate of the cost of fuel from 16.50 annas per train mile to 13.2 annas per train mile, which is equivalent to a drop in the all-in-cost of coal from Rs. 22-11-0 per ton to Rs. 18-2-0 per ton the current average cost of coal in Bombay. The estimate of Rs. 29.35 lakhs includes under General Administration a sum of Rs. 1.08 lakhs.

26. The actual cost of maintenance and operation of electrical services (excluding depreciation and General Administration) for 1930-31 is Rs. 21.79 lakhs. The extra cost of General Administration due to suburban electrification (traction) was Rs. 0.72 lakhs in this year. Accepting the accuracy of the estimate of Rs. 1.08 lakhs for General Administration under steam traction conditions, the total cost of General Administration to be taken into account for a proper comparison of electrical costs with the estimated steam costs of Rs. 29.35 lakhs is therefore Rs. 0.72 *plus* Rs. 1.08 = Rs. 1.80 lakhs, which together with the Rs. 21.79 lakhs mentioned above makes a total of Rs. 23.59 lakhs. The savings in working expenses due to electrification are, therefore, estimated to be Rs. 5.76 lakhs (29.35 *minus* 23.59) excluding depreciation.

27. The actual gross outlay on electrification amounted to Rs. 202.90 lakhs as compared with the estimate of Rs. 204.28. Against this has been adjusted a sum of Rs. 66.72 lakhs, representing the cost of steam rolling

stock which has been sold or replaced or broken up. The cost of other rolling stock transferred from the suburban section to other sections of the line without any financial adjustment, has been estimated to be, at depreciated values, about Rs 2.07 lakhs

28. Electrification has thus avoided the incidence of depreciation charges on a total sum of about Rs. 68.79 lakhs (66.72 *plus* 2.07) in addition to that on Rs. 72.00 lakhs (the cost of the extra steam stock that would have otherwise been necessary), *i.e.*, on a total sum of Rs 140.79 lakhs of steam rolling stock assets. The depreciation chargeable to revenue in 1930-31 on the additional electrical assets only on *the basis of the depreciation fund rules in force for State Railways*, is approximately Rs 5.89 lakhs. But this excludes the depreciation on additional expenditure on track-bonding, etc. Using the same percentage for depreciation therefore as used by the Consulting Engineers, as the only available method of working out the depreciation, this may be taken as Rs. 6.09 lakhs, *i.e.*, 3 per cent. of Rs. 202.90 lakhs. Deducting from this, Rs. 4.22 lakhs the saving in depreciation charges on steam rolling stock assets costing Rs 110.79 lakhs which would additionally have been incurred but for electrification, the net additional charge on account of depreciation of electrical assets is Rs. 1.87 lakhs (6.09 *minus* 4.22). The actual saving, therefore, in working expenses including depreciation, may be stated to be Rs 3.89 lakhs (5.76 *minus* 1.87) which gives a return of 1.92 per cent. on the gross outlay of Rs 202.90 lakhs or 6.26 per cent. on the net outlay of Rs 62.11 lakhs (202.90 *minus* 140.79).

Actual return compared with estimated return.

29. The estimated return of 6.82 per cent is with reference to an estimated outlay of Rs. 204.28 lakhs. Owing largely to cheaper prices, the gross outlay was actually only Rs. 202.90 lakhs. On this outlay, the same savings would have yielded a return of 6.68 per cent. It is now necessary to examine the reasons for the difference between the estimated return of 6.86 per cent and the actual return of 1.92 per cent secured in 1930-31. There are three main factors accounting for this difference. The most obvious is that of the fall in traffic from 16.60 lakhs estimated to the 14.28 lakhs of tram miles actually run. The savings increase *pro rata* with the mileage and had the mileage run been 16.60 lakhs, the return would have increased from 1.92 to 2.23 per cent.

30. The second main factor is the fall in the price of coal which has served to decrease the estimated cost of steam working in 1930-31 by a sum of Rs. 3.43 lakhs which is equal to a return of 1.69 per cent on the gross outlay on electrification. The third important factor is the maintenance of higher rates of wages for motormen than those adopted by the Consulting Engineers in their estimates. (The same factor operated apparently in the G. I. P. Railways. It has been found difficult in practice to reduce the wages of motormen who were previously employed as steam drivers. These men continue to be paid at their old rates, but are being gradually replaced by new entrants on lower scales of pay. According to the Consulting Engineers' estimates, the wages of motormen should have been about Rs. 1.29 lakhs in 1930-31 as against the actuals of Rs. 4.60 lakhs. The difference of Rs. 3.31 lakhs increases to Rs 3.50 lakhs on the estimated traffic and represents a

return of 1.72 per cent. on the gross outlay. Allowing for these two factors, the rate of return would rise from 2.23 per cent. to 5.64 per cent. (2.23 *plus* 1.69 *plus* 1.72). The difference between the estimated and the actual percentage of return in 1930-31 is thus 1.22 per cent. (6.86 *minus* 5.64). The results of the next year show an improvement on this.

Rules of return for 1931-32 compared.

31. The actual return on the additional outlay in 1931-32 is worked out in the same manner as for 1930-31. The number of electric trains in 1931-32 was 11,34,346 equivalent to a steam train mileage of 13,42,898. A traffic of 13.43 lakhs of steam train miles would have cost Rs. 27.59 lakhs on the same basis of unit cost as for 1930-31. The extra cost of General Administration due to suburban electrification was Rs. 0.77 lakhs which together with the cost of General Administration included in the figure of Rs. 27.59 lakhs is equal to Rs. 1.79 lakhs. The actual costs of maintenance and operation of electric services excluding depreciation and General Administration is shown by the accounts to be Rs. 18.79 lakhs. The savings under working expenses in 1931-32 should therefore be Rs. 7.01 lakhs (27.59 *minus* 18.79 *minus* 1.79). Deducting from this the increase in depreciation charges of Rs. 1.87 lakhs (6.09 *minus* 4.22), the net saving in working expenses (including depreciation) is 7.01 *minus* 1.87 = Rs. 5.14 lakhs. This gives a return of 2.53 per cent. on the gross outlay of Rs. 202.90 lakhs or 8.28 per cent. on the net outlay of Rs. 62.11 lakhs.

32. The difference in return between the two years 1930-31 and 1931-32 is largely accounted for by the expenditure on repairs and maintenance of multiple unit stock being considerably less in the latter year. The return of 2.53 per cent. for a traffic of 13.43 lakhs of equivalent steam train miles is equal to a return of 3.13 per cent. for 16.60 lakhs of train miles. Adjusting as before for the fall in cost of fuel of Rs. 3.43 lakhs, which is equal to 1.69 per cent. on the gross outlay, this return is increased to 4.82 per cent. (3.13 *plus* 1.69). Motormen's wages which in 1931-32 aggregated Rs. 4.34 lakhs for a traffic of 13.43 train miles would have been for a traffic of 16.60 train miles Rs. 3.42 lakhs in excess of that estimated. This represents a return of 1.68 per cent. on the outlay of Rs. 202.90 lakhs. Eliminating thus all the main recognisable factors influencing the rates of return, electrification may be regarded in 1931-32 as having potentially yielded 6.50 per cent (3.13 *plus* 1.69 *plus* 1.68) on the total capital outlay as against an estimated return of 6.86 per cent.

33. The figures referred to in the previous paragraphs have been set out in Statement B attached. This statement expresses the saving in working expenses due to electrification with reference to gross and net outlay and before and after deducting depreciation.

J. C. NIXON,

Director of Railway Audit.

The 6th October 1933.

STATEMENT A.
Great Indian Peninsula Railway.

STATEMENT A.
Great Indian Peninsula Railway.

Particulars.	Harbour Branch.		Suburban Branch.		Main Line ex- cluding Power House		Power House.		Bhor Ghat.		Estimate all sections Total estimated.	Actuals for 1930-31 Total.	Actuals for 1931-32 Total.
	Estimate.	Actual.	Estimate.	Actual.	Estimate.	Actual.	Estimate.	Actual.	Estimate.	Actual.			
1. Traffic in lakhs of train-miles (Steam)	3 50	5 58	15 82	17 29	36 08	19 63	In lakhs of Rupees		.	.	55 40	42 50	41 87
2. Gross outlay on electrification ..	72 80	78 02	158 61	175 90	552 84	500 25			97 40	112 5	950 90	942 65	953 93
3. If no electrification estimated extra steam outlay for increased traffic	81 68	81 68	46 01	46 01	48 24	48 24	Actuals.		.	.	175 93	175 93	175 93
4. Cost of steam stock released be- cause of Electrification ..	..	..	31 39	18 16	223 32	154 82			.	.	254 71	172 98*	172 98*
5. Net outlay on electrification (Item 2—Item 3—Item 4) ..	—8 88	—3 66	81 21	111 73	378 68	378 68	Actuals.		69 25	62 62	520 26	593 74	605 02
6. Cost of Steam Working, i.e., working expenses excluding depreciation	6 70	10 14	39 32	33 06	112 52	112 52			..	..	158 54	116 38	114 65
7. Cost of Electrical Working, i.e., working expenses excluding depreciation	5 56	5 44	28 65	27 16	53 31	53 31	Actuals.		.	.	87 52	72 85	60 83
8. Gross savings in working ex- penses due to Electrification (Item 6—Item 7) ..	1 14	4 70	10 67	5 90	59 21	59 21			..	.	71 02	43 53	47 82

9. Depreciation on Gross outlay on Electrification ..	2.18	1.97	4.76	4.45	20.26	15.82	.	1 58	27 20	23 82	24.12
10. Depreciation on steam outlay avoided ..	2.06	2.06	1.96	1.62	6.86	5.13	.	.	10 88	8 81	8 81
11. Increase in annual depreciation charges due to Electrification (Item 9—Item 10) ..	.12	—0.09	2.80	2 83	13.40	10 69	.	..	16 32	15 01	15 31
12. Net savings in working expenses due to Electrification (Item 8—Item 11) ..	1.02	4.79	7.87	3.07	45.81	22 24	.	..	54 70	28 52	32 51
Percentages											
13. Percentage of gross savings on gross outlay $\left(\frac{\text{Item 8} \times 100}{\text{Item 2}} \right)$..	1.57	6.02	6.73	3 35	9 11	5.26	..	..	7 47	4 62	5 01
14. Percentage of gross savings including depreciation on electrical assets only $\left[\frac{\text{Item (8-9)} \times 100}{\text{Item 2}} \right]$..	—1.42	3.50	3.73	0.82	5.99	2 73	..	.	4 61	2.09	2.48
15. Percentage of gross savings on net outlay $\left(\frac{\text{Item 8} \times 100}{\text{Item 5}} \right)$ ..	..	..	13.14	5.28	15.64	7 78	..	..	13 65	7 33	7 90
16. Percentage of net savings on gross outlay $\left(\frac{\text{Item 12} \times 100}{\text{Item 2}} \right)$..	1.40	6.14	4.96	1 75	7.04	3 55	.	..	5.75	3 03	3 41
17. Percentage of net savings on net outlay $\left(\frac{\text{Item 12} \times 100}{\text{Item 5}} \right)$ ..	..	..	9.69	2.74	12.09	5.26	.	.	10 51	4 80	5 37

*The Administration claim that in order to arrive at the correct appreciation of the position the Electrification Scheme should be given the full benefit of the credit so far realised by the sale of the released engines and also the value of engines already absorbed and expected to be absorbed. The Chief Transportation Superintendent expects the remaining engines either to be sold off or absorbed during the year 1933-34. The claim of the Administration has been accepted by the Audit Department.

STATEMENT B
Bombay, Baroda and Central India Railway.

Particulars	Esti- mates 1931-32	Actuals		Remarks.
		1930-31	1931-32.	
1. Traffic in lakhs of train miles (Steam)	16 00	14.28	13 43	
Lakhs of Rupees				
2. Gross outlay on Electrification	204 28	202 90	202 90	
3. If no electrification estimated extra steam outlay for increased traffic	72 00	72 00	72 00	
4. Cost of steam stock that would be released because of Electrification	50 00	68 79	68 79	
5. Net outlay on Electrification (Item 2—Item 3—Item 4)	82 28	62 11	62 11	
6. Cost of Steam Working—Working expenses excluding depreciation	37 55	29 35	27 59	
7. Cost of Electrical Working—Working expenses excluding depreciation	21 16	23 59	20 58	
8. Gross savings in working expenses due to electrification (Item 6—Item 7)	16 39	5 76	7 01	
9. Depreciation on gross outlay on Electrification at 3 per cent. on gross outlay (Item 2)	6 12	6 09	6 09	
10. Depreciation on steam outlay avoided at 3 per cent. on items 3 and 4	3 66	4 22	4 22	
11. Increase in annual depreciation charges, due to Electrification (Item 9—Item 10)	2 46	1 87	1 87	
12. Net savings in working expenses due to Electrification (Item 8—Item 11)	13 93	3 89	5 14	
Percentage.				
13. Percentage of gross savings without allowing for depreciation on gross savings $\left(\frac{\text{Item 8} \times 100}{\text{Item 2}} \right)$	8 02	2 84	3 45	
13A. Percentage of gross savings after allowing for depreciation on electrical outlay only (Items 8—9 $\times 100$)	5 03	—0 16	0 45	
14. Percentage of gross savings on net outlay $\left(\frac{\text{Item 8} \times 100}{\text{Item 5}} \right)$	19 92	9 27	11 29	
15. Percentage of net savings after allowing for depreciation on gross outlay $\left(\frac{\text{Item 12} \times 100}{\text{Item 2}} \right)$	6 82	1 92	2 53	
16. Percentage of net savings after allowing for depreciation on net outlay $\left(\frac{\text{Item 12} \times 100}{\text{Item 5}} \right)$	16 93	6 26	8 28	
17. Percentage of net savings after allowing for depreciation on actual gross outlay (of 202.90) with traffic of 16.00 lakhs train miles	6 86	2 29	3 13	

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REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1931-32

Volume II—EVIDENCE.

PART II—RAILWAYS.



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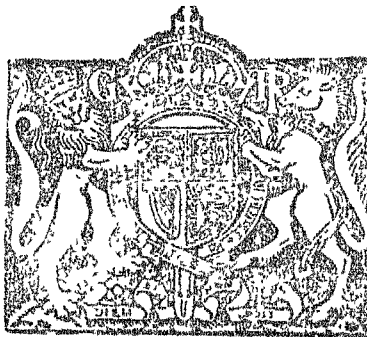
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NF-PA-32/2/B.

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OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1931-32

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*The first nine meetings were held in connection with Civil, Military and Posts and Telegraphs Appropriation Accounts.

Evidence taken at the Tenth* Meeting of the Public Accounts Committee
held on Wednesday, the 9th August 1933, at 2.30 P M.

PRESENT.

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*.

Rao Bahadur M. C. RAJAH,

Mr. T. N. RAMAKRISHNA RAO.

KHAWAR HAJEE ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN.

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT

Dr. R. D. DALAL.

Members.

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

were also present.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance, Railway Board.

Mr. L. S. DEANE, Controller of Railway Accounts.

Witnesses.

Chairman : Before we start on the Railways we might see whether we are now in a position to decide between the three alternatives that were put before us in Appendix XIX†, regarding the extension of the life of the Public Accounts Committee.

Mr. S. C. Mitra : We are all agreed, with Mr. Ismaiel Alikhan, on the third alternative : let there be a new election at the end of the third year.

(The recommendation was recorded unanimously.)

Mr. K. P. Thampán : I wish to make a statement before we begin our deliberations. Whatever decisions the Committee might have arrived at on the Railway Accounts during my absence, I wish to state that the time before us has been hardly sufficient to enable us to go through the several papers sent to us. Some of us received copies only on the 20th of last month ; and I had to leave Malabar directly I received these

*The first nine meetings were held in connection with Civil, Military and Posts and Telegraphs Appropriation Accounts.

†Printed in Volume 1 of Part I.

papers after coming here I had to read up the subjects on hand and there was no time to go through all these papers. Mr. Rau's Review is highly technical and Mr. Nixon's Report is much more technical, and if the Committee is not amenable to my request to postpone the Railway Accounts, I wish it to be recorded that I am not in a position to put in any useful work and I would like to take a negative part and be only a witness of the proceedings. But after consultation some of us are agreeable to take up one point, namely, the budgetary form proposed by Mr. Rau in the end of his report as we understand it is rather urgent.

Chairman : Perhaps we had better have Mr. Rau before us before we continue discussion on the point raised, as Mr. Rau is vitally concerned.

(Mr. P. R. Rau was called and examined.)

1. *Chairman* : Mr. Rau, when the Committee first met I raised the question of the date when the examination of the Railway Accounts should be taken up. I put certain considerations before them : one was that in the peculiar circumstances of this year there was no assurance whatever that there would be a November session. If we postponed the examination to a later date it will have either to be immediately after the end of the session or the members will have to be called together in Delhi for this particular task. It seemed to me that the second alternative would mean a quite unjustifiable expense to Government. As regards the first, there are serious difficulties as the Puja holidays come at the end of the session. Also Sir George Schuster who will then be chairman of the Committee would be exceedingly busy on other occupations. I do not wish now to attempt to decide whether August is or is not a suitable time for the Committee to meet. But the Auditor General stressed the fact that you wish to be helped before you set to work to prepare your budget for the next year, with the views of this Committee on the proposed changes in the form of demands, but it was also suggested that it was not easy to come to any conclusion unless the major part of the general examination of the review was finished. On the other hand, there is at least one subject which cannot be conveniently discussed at this stage owing to the absence of Mr. Ghuznavi—the subject of coal. The conclusion we then reached was that provided we could carry to the extent we could the examination of this review before the end of this week, we should do so and then adjourn leaving one or two subjects possibly for discussion together with any points that might be brought up by absentee members or even by any others when they have had an opportunity of perusing the verbatim report of our proceedings. It was generally felt that that would be a satisfactory solution because it would reduce to the minimum the amount of time that would be necessary for the Committee to take at the end of the session thereby reducing to the minimum the difficulties which I have mentioned regarding holding a meeting when the session closes.

Mr. Thampan who was not present desires to be a non-co-operator because he says that we have not given him sufficient time to examine the books and other papers. I feel myself that the procedure we have now suggested will give all members, not merely the absentee members, the opportunity of looking through their papers further and raising outstanding points which may not have been touched upon now at the final meeting or meetings of this Committee. Possibly Mr. Thampan did not

understand exactly what our programme was and what opportunities it was going to give to members for raising points which they thought had been overlooked in the course of the discussion that we had contemplated taking place at the end of this week. I do not know whether Mr. Rau would like to say anything to the Committee, perhaps more forcibly and ably than I have been able to express, because you are the person directly concerned with Railways.

Mr. P. R. Rau : There is very little that I can add to what you have said. The only point is, we have got together practically all the material we have to place before the Committee, except that we have not been able to prepare the summary of the results for 1931-32 and 1932-33, because we got the reports from the Agents only in the beginning of this month. That of course would not prevent the Committee from going through the Appropriation Accounts and the Report of the Director of Railway Audit. We could prepare a summary and circulate it later.

There is one matter of particular importance, as you have just pointed out, on which we should like to have the view of the Committee, and it is this. If it is decided to make any change in the demands for grants, it is essential that some decision should be arrived at by the end of this month, otherwise we could not give effect to any changes that we might propose to introduce in the next year's budget. But, of course, it is for the consideration of the Committee whether in view of the fact that proposals have been made for a radical change in regard to the preparation of estimates and their sanction in the new constitution, it is worth while to alter the procedure now.

One other point is that, so far as we are concerned, the earlier the Committee examines these reports the better it is for us, as otherwise any action that we may take on those reports will have to be delayed.

2. *Chairman* : Is it not a further point that preparing the material for this Committee entails special work on you and on your staff, and if the discussion on the majority of the items, especially the less important ones, is postponed, things will not be so fresh in your memory and you will practically have to spend more time again? Is that a fair statement?

Mr. P. R. Rau : Quite so. As a matter of fact, if the Committee meets immediately after the session, then it will mean an additional strain to me, because by the end of this month there will be a lot of work accumulated, and to devote my attention again to these things would mean considerable effort, but if it meets in November there will not be so much difficulty.

Chairman : As I have said, I am not even now in a position to give an assurance whether it will be possible to have a meeting in November. It is not decided whether there will be a meeting in November or not.

Mr. P. R. Rau : In January again just before the Assembly meets, it will be very difficult for me as I am then busy with the Budget.

3. *Mr. S. C. Mitra* : What were the grounds on which you agreed last time to take up this matter separately in November?

Mr. P. R. Rau : The main ground was this. The Committee was anxious that they should have before them a review of the results of the year succeeding the one the accounts of which they were then considering.

and we could not possibly compile a review till about September. That was the earliest time.

Chairman : Could you have such a review this year by the end of the session ?

Mr. P. R. Rau : I hope so.

Chairman : My idea is not only to leave over coal, but we should leave over that review, and the great point was that the report would not be written until this Committee had had an opportunity of considering those things. The only question is whether it is necessary to examine the review before going into all the criticisms of the Auditor-General in detail.

Mr. P. R. Rau : I do not think it is necessary, because that report deals with the following year.

Chairman : That point is important to some extent only if we are not proposing to conclude our meetings at this stage.

Mr. S. C. Mitra : As regards the constitutional position—perhaps our Chairman is in a better position to confirm or not to confirm what we have read in the press this morning—we would like to know whether the Public Accounts Committee in future will have anything to do with the Railway budget, because it is stated that it will be non-voted. Will there be any Appropriation Report, whether voted or non-voted ?

Chairman : I could only guess myself and say that there will be not less control than we exercise now over other non-voted items. I think it is a pure guess.

Mr. A. C. Badnoch : The presumption has been made that all estimates relating to non-voted or authenticated expenditure should be laid on the table of the House or something like that, and we have assumed that there would be some sort of appropriation audit of that expenditure as there is for non-voted expenditure at present.

Mr. P. R. Rau : I think there is a provision in the memorandum which says that the expenditure on State-owned lines shall be certified by the Auditor-General.

Mr. S. C. Mitra : One thing is clear. It will be non-voted, the second thing is the policy merely will be guided by the Assembly, and the third thing is that some accounts will be placed before the House.

Chairman : We can only make assumptions.

Coming back to the question of the procedure of this Committee, I don't think any other member who was present in the earlier discussions wishes to say anything more.

I do not know whether in view of the discussion we have had Mr. Thapman is prepared to modify his attitude.

Mr. K. P. Thapman : I am not prepared to modify it. Mr. Rau says that he is ready with his facts and figures, but what about us ? Only last night we were furnished with some material, and we could not go through it. Mr. Rau may have a large staff behind him and he may be in a position to keep everything ready, but what about us ? We have to read through so much material. If my friends say that they are equal

to handling these reports, I simply envy them. Frankly, I feel unfit to be a member of this Committee.

Chairman : It seems that in view of my explanation of the procedure it is not necessary for you to take that attitude, because any member who on going through the papers wishes to raise any points or notes points which he thinks we have overlooked, will have his opportunity to raise questions. Any member can raise points later on, whether he is present here today or not.

Mr. K. P. Thampan : Then I have no objection.

Chairman : I am glad we have secured Mr. Thampan's co-operation, and now we can proceed with our work.

(Messrs. V. S. Sundaram and Deane, were called in to join Mr. P. R. Rau.)

Appendix I. Part II, Item No. 1—*Rules regulating the custody and relinquishment of railway lands and buildings.*

Chairman : We are taking up the List of Outstandings.

Item No. 1. : No comments.

Item No. 2—Special rates and concessions for Military traffic obtained by Military Department from Rai'ways.

Chairman : *Item No. 2.*

Mr. P. R. Rau : I can only say that we hope to be able to place something before the Committee at their next meeting if possible. This is a matter in which we are endeavouring to come to some sort of agreed solution between the Army Department and ourselves. Apart from everything else, there is still the question to be settled as to what exactly is the amount involved in the present concessions. It has been argued that there is very little really in the matter of the concessions that we grant to the Army Department which would not be granted to any large consumer. We got a full note from the Army Department some time at the end of the last session. We have been going through their figures, and we hope to arrange a meeting with the Army Department and place the necessary information before the Committee meets again. I am not sure that we can give a joint report, because we are not certain that we will be able to come to a definite agreement, but at least we will be able to place before the Committee some further information.

G. Mr. S. C. Mitra : This matter has been before this Committee since 1928, I think.

Mr. P. R. Rau : As a matter of fact, it was really gone into closely after the Retrenchment Committee reported in 1931. They made a definite suggestion, and on their suggestion we went into the whole question again. It must be remembered, as the Army Department has pointed out, that at present any sort of increase in the rates might mean a definite loss to the Indian exchequer, as a whole because our contracts with Company-managed railways are on the basis that they should allow the same concessions to military traffic as State-managed railways allow, and if we increase our charges to the Military Department, the net re-

sult might be that a portion of this money would go to the shareholders. Of course, it is a small amount, it will be in the neighbourhood of about a lakh or so.

7 *Mr. S. C. Mitra* : Can you tell us very approximately the amount involved ?

Mr. P. R. Rau . We made a rough calculation in October last, and it was in the neighbourhood of a crore, but the Army Department have not accepted this estimate.

Chairman : I think we have to leave this item over.

Item No. 3—Action taken by Government on Mr. Badenoch's proposals for retrenchment.

Chairman : No comments.

Item No. 4—Financial results of Railway electrification Schemes.

Chairman . Item No. 4 also will have to stand over.

Item No 5—Correspondence between the arrangement of the working accounts abstracts and the sub-divisions of the Railway Demands.

Item No 6—Supply to the Committee of Skeleton forms of Railway Demands for Grants, Appropriation Accounts and Working Accounts prepared on the new basis.

Chairman : No comments.

Item No. 7—Question of the permanent basis on which Works expenditure should be charged to Capital, to Depreciation Fund and to Revenue.

8. *Mr. P. R. Rau* . The matter is under the consideration of the Government of India. It has not proceeded very much further, I am afraid. The question is whether there should not be a still wider inquiry than what was contemplated, whether the inquiry should not embrace the whole question of what should be the policy to be laid down for the future Railway authority with regard to the way in which the Railways should be run, how much should be provided for depreciation, how much for amortisation and what should be done with the surplus, and all that sort of thing. It is a very big question. You will probably remember that a committee was appointed in 1929 to go into this which really achieved nothing.

Mr. A. C. Badenoch . May I point out that last year this point was stressed very much by Sir Ernest Burdon in his letter, and he pointed out that the problems were exceedingly difficult. What he feared was that decisions might be come to hurriedly in connection with the drafting of the Statutory Railway Board Act and that continuous delay had confirmed in him the impression that this would occur. So far no further action has been taken in this connection.

Mr. P. R. Rau : I do not think it can be said no action has been taken. The matter has been fully examined and a note prepared for the consideration of Government but, you know the Railway Member is at present very busy with other matters in connection with the Commerce Department, the textile enquiry and things like that.

Chairman : I think Mr. Rau can certainly claim that he has attempted to put the case in a form in which some sort of decision can be reached but the authorities who are responsible for the final decision have not been able to do so. I have, as a matter of fact, received a note from Mr. Rau on the subject myself, but I have put it aside pending a move from the Railway Member, and as Mr. Rau says, the Railway Member has no time to look into this complicated subject. The position therefore is that as much as can be done by Mr. Rau has been done and the matter is now in the hands of the Government as a whole.

I do not think there can be any objection to this Committee recording its view that although no decision has yet been reached they hope that conclusion will be reached as soon as possible for the reasons given by the Auditor General. I think the Committee might quite well record that.

Mr. Ramsay Scott . And that remark brought to the notice of the Finance Member and the Commerce Member.

Item No. 8—Information regarding railway advertisements given to newspapers.

Chairman : We are referred to Appendix III which has been supplied to members. It gives particulars of railway advertisements in connection with hill advertisement campaign.

9. *Mr. S. C. Mitra* . Our point was that the advertisement was restricted only to English papers and we thought that most of the people concerned do not read these papers and that there should be a fair distribution among all newspapers from the revenue standpoint. I think this statement supports our contention. Central Publicity Bureau—Madras Mail, 'State-man' and 'Times of India', and no Indian paper G. I. P.—'Times of India'—E. I. R.—'Statesman', 'Englishman', 'Times of India', 'Capital'—no Indian paper gets a chance of advertising. If the Indian Railways are not meant exclusively for Europeans and other people, the Railway Administrations should see to fair distribution of advertisement.

Chairman : If you see the N. W. Railway, there is a different story. I only wish to observe that I am not quite certain that Mr. Mitra is correct in saying that people who are chiefly concerned are Indians when it is especially a hill station advertisement campaign and most of the people who go to the hill stations are of a foreign community.

Mr. S. C. Mitra : Indians go there too.

10. *Rao Bahadur M. C. Rajah* . The 'Madras Hindus' which has got the largest circulation in Madras is not here under the Central Publicity Bureau.

Chairman : (After referring to last year's Report.)—It is quite clear that the question related to hill station advertisement campaign. In my personal opinion it makes some slight difference to the position. Have you anything to say, Mr. Rau ?

Mr. Rau . I have really nothing to add to what was stated in Appendix V of last year. The Committee wanted some further detailed information with regard to that and we have obtained the information for them.

11 *Chairman* : Have you any idea whether this campaign has ceased ?

Mr. P. R. Rau : So far as I know the Central Publicity Bureau has had no further connection with this particular advertising campaign later than 1929-30. The Central Publicity Bureau came into it merely in order to supplement the publicity work done by local railways for themselves. As a matter of fact, I have been noticing large numbers of ordinary railway advertisements in Indian papers.

Chairman : Advertisement activities are always debatable, but there is a good deal to be said for the view that there is a special necessity to appeal to Europeans to visit our hill stations because there is an increasing tendency amongst them now-a-days to visit Europe, and that would be a good justification for these advertisements.

12 *Mr. S. C. Mitra* : If they want to attract people to hill stations, advertisement is necessary I fully agree, but why should they exclude Indians altogether if it is going to be helpful ? And I say so far as Calcutta is concerned I see not a single Indian paper in this list.

Rao Bahadur M. C. Rajah : Now-a-days Indians are taking more and more to hill stations and for them advertisement is necessary.

Mr. P. R. Rau : We have already communicated the views of the Committee to the publicity officers concerned.

(*To Mr. Scott*) : Advertisement enters into the daily life of the railways and collection of full information regarding all advertisements would be a tremendous piece of work.

13. *Chairman* : The operations of the Central Publicity Bureau have become unimportant in this respect ?

Mr. P. R. Rau : As a matter of fact, we have cut down this branch of their activities much.

Chairman : Then I suggest that we should ask Mr. Rau to see whether the matter cannot be brought up in some convenient way before the local advisory committees of the various Railways, the members of which are just as much interested in this question as the members of this Committee.

Mr. Ramsay Scott : U. P. papers have got no advertisement of any kind.

Mr. P. R. Rau : I do not think Mr. Scott is right in saying so. I have myself seen advertisements in the 'Pioneer' and the 'Leader'.

Chairman : Then I think we can leave the matter at that.

Item No. 9—Delays in the appointment of Joint Station expenses between railways.

14. *Chairman* : The matter is said to be under consideration.

Mr. P. R. Rau : I can tell you that we referred the matter to the Advisory Committee of the Indian Railway Conference Association, and they have since made certain proposals for the simplification of joint station agreements. These proposals are before the Railway Board and orders will be issued shortly.

Chairman We would like a memorandum to be placed before the Committee when the decision is reached and that will presumably be next year.

Item No. 10—Earlier preparation of monthly accounts.

15. *Chairman* The matter is said to be under consideration and also that the required report will be furnished to the Committee in due course.

Mr. P. R. Rau : I sent a memorandum (Appendix IV) on this matter but it really adds nothing to the information that is already before the Committee

Chairman : We can only ask that to be kept on the pending list.

Auditor General's letter

16. *Chairman* : Paragraphs 2 and 3 of the Auditor General's letter. Paragraph 2 is largely concerned with the possibility of expediting the submission of accounts. There is a definite suggestion at the end of the paragraph.

Mr. P. R. Rau : As a matter of fact, I gave the procedure a fair trial this year and I must say I found it almost impossible even to have the report ready in the last week of April. It is really a question for the Committee to decide but I put forward my view. It is a question whether the Committee places any importance on the Financial Commissioner's Review being more than a mere routine document . . .

Mr. Anwar-ul-Azim : The idea of the Audit Department is that unless these things are readily available to them by a particular date . . .

Mr. P. R. Rau : The Financial Commissioner's Review is not part of the accounts. The accounts are there before the Audit Department and the Director of Railway Audit. I am sure goes through the accounts in detail and does not wait for my Review in order to enable him to make up his mind what irregularities in appropriation should be brought to the notice of the Public Accounts Committee. This Review, so far as I can understand, is intended to make the task of the Public Accounts Committee easier and to bring to their notice what I consider are the more important financial results of the year and what are the variations between the original anticipations and the final results. From that point of view it would be an advantage if the Director's Report is in my hands before I complete the financial review because it would then be possible for me not only to investigate further the matters which the Director considers deserving of investigation but also to place before the Public Accounts Committee fuller information.

17. *Mr. Anwar-ul-Azim* : But the Director is a checking authority.

Mr. P. R. Rau : Yes, and he has got the accounts to check. And from that point of view I do not know whether the Public Accounts Committee can accept this as a reasonable compromise between the two points of view. I think I can probably undertake with some certainty to say I can have the first part of the Review prepared by the end of May and it will be in the hands of the Auditor General before he makes his comments.

18. *Mr. S. C. Mitra* : The Auditor General suggests a division.

Mr. P. R. Rau : Yes, but I do not think it would be possible to stick to the 15th April even then as regards the first part of the Review because the accounts are not ready in final form till February or March and every one of you knows how little time I have during the Assembly Session to deal with these matters. This year the Assembly actually closed on the 12th April. Then I had to deal with the whole of the rolling stock programme which had to be prepared and placed before the S. F. C. early in May at the latest. If this Review is really to be *an* Review—I am afraid the present date is too early, but if the Committee desire to adhere to the date I can have it prepared in the office as a sort of summary of accounts and sent up—that would relieve me of a lot of my work,—but it would not be as useful even from my own point of view because, as Sir Ernest Burdon pointed out it is part of the education of the Financial Commissioner to go through these accounts. I think therefore, if I undertake to prepare the first part of the Review by the end of May it would give ample time to the Auditor General to go through both the Director of Railway Audit's Report and any explanations that I may make in this Review and prepare his comments from them.

19. *Mr. Badenoch* : It was put last year by Sir Ernest Burdon that if the Director of Railway Audit writes his report without reference to the Financial Commissioner's Review there will inevitably be a certain amount of duplication. It was partly to save the Committee from having to consider two documents covering exactly the same ground that he stressed the importance of the Financial Commissioner's Review being before the Director of Railway Audit before he wrote his own report. The Director of Railway Audit will leave out everything that is adequately dealt with in the Financial Commissioner's Review. Again, there is this to be said about it, that audit does its best with regard to comments on expenditure in relation to money voted, but the audit knowledge is never as good as the executive knowledge, and from the Director's point of view it is very important that he should see the Financial Commissioner's explanations of the expenditure before he writes his report. I think you will support me, Mr. Nixon.

Mr. Nixon : I think it will be useful to have it.

Mr. P. R. Rau : If I may interrupt Mr. Badenoch, it is very important from the point of view of the administration that the comments of audit should be before the Financial Commissioner when he writes his Review because the Financial Commissioner, however theoretically full knowledge he may have of what is happening in the administration, depends to a considerable extent on the information supplied by audit, and it enables him to know exactly what has been happening in the various railways. The Appropriation Accounts themselves give a mass of material which he will have to go through carefully, but at the same time the Director of Railway Audit is also in possession of information from his Chief Auditors which he uses in his report, and if any comments which he makes in his report are before the Financial Commissioner at the time of his writing the Review, it will make the Review much more informative.

Chairman : Mr. Badenoch suggests that if the Director of Railway Audit has the Financial Commissioner's Review in his possession he will omit matters which have been dealt with effectively by the Financial

Commissioner. Is it possible for the reverse process to be effected—for the Financial Commissioner to omit the points which have been adequately dealt with by the Director of Railway Audit?

Mr. Nixon : I do not write apologies. I write criticisms.

Mr. P. R. Rau : I think the apology should follow the criticism. (*Laughter*.)

Mr. Nixon : The document which is really before this Committee is the report of the Audit Department. That is the primary document before this Committee.

The Honourable Mr. J. B. Taylor : I should like to express my agreement with the view expressed by Mr. Rau. I think current accounts are in danger of getting into a certain amount of muddle by everybody waiting on everybody else producing something. The main function of the Committee is to examine irregularities put up by the audit side and in order to obtain an explanation of these irregularities they may want further figures or further explanations. From the point of view of the Finance Department also we want the audit comments on the accounts of the railways as soon as possible.

20 Mr. S. C. Mitra : The view of the Public Accounts Committee was that they did not want disputed figures or facts.

Mr. P. R. Rau : The explanations are in the Appropriation Accounts.

Mr. S. C. Mitra : We had difficulty of having two sets of people giving two different versions, and the Public Accounts Committee said, let there be an interchange of views between the parties and let us get a final statement.

Mr. Nixon : We have a separated audit in Railways unlike the Civil where the same person puts up the appropriation report and the appropriation accounts. We do not know the accounts, we are only audit people.

The Hon'ble Mr. J. B. Taylor : Still I think that it is better. After all, audit will consult the executive informally before commenting with any particular vigour on any point. . .

Mr. P. R. Rau : The comments on irregularities which form a great part of the audit report will still continue as at present. In my Review I do not deal with any of the irregularities. There cannot be any question of dispute about facts, because I cannot import any new facts that are not in the Appropriation Accounts.

Chairman : You went a little too far in saying that there will be no dispute about facts. There can be a dispute as to the meaning of facts, as to the meaning of figures which brings about discrepancies of apparent failures of control, and so forth. Surely those are matters on which there can be a dispute.

Mr. Badenoch : Audit must get its explanation from the executive and it gets them through the Chief Accounts Officers, but the explanations have not got the final imprimatur of the Railway Board until we get the Financial Commissioner's Review. If it is absolutely impossible for Mr. Rau to give us a Review before the end of May I think we shall

have to give way. That is too late for our purpose. We hope that perhaps with the new demands it will be possible to speed up the preparation of the appropriation accounts.

Mr. P. R. Rau : However much you may speed it up, they come up at a time when I am busy with the Assembly.

21 *Mr. Badenoch* : I expect the appropriation accounts will be put up before Mr. Rau in October or November.

Mr. P. R. Rau : At that time I am busy with the budget. I shall not be able to devote time to this till after the budget is finished. If I am not a member of the Assembly, this can be done earlier.

Chairman : We can hardly make suggestions of that sort.

Mr. Badenoch : The Financial Adviser, Military Finance, is in a much better position. He is not a member of the Assembly. He can give the Review before the Appropriation Report is prepared. But if the Financial Commissioner for Railways thinks it quite impossible for him to give us an adequate review—and I quite agree with him that the review must be careful and adequate—before the end of May then we shall have to accept the position and the Committee will have to accept the position that the Director's Report is prepared without reference to these comments, that there may be duplication and a certain amount of conflict with regard to the interpretation of facts.

Mr. P. R. Rau : I can give it by the end of May.

Chairman : We recognise the difficulties of the position in the present circumstances but we should be glad if the Financial Commissioner gets his Review ready in time for consideration by the Auditor General before he writes his letter.

Mr. Badenoch : I should like Mr. Rau to re-examine the question later.

Chairman : I was careful to say in present circumstances.

Mr. Badenoch : I know the Financial Commissioner has got a good deal of work to do but lots of other people have also a good many things to do besides the budget.

Mr. Rau : I said the end of May as the upper limit. I may be able to do it earlier.

Chairman : I think we may leave it at that.

22. *Mr. Badenoch* : At the end of paragraph 3 I do make a comment, that perhaps the Public Accounts Committee might endorse, with regard to consultation with the Public Accounts Committee on subjects that really concern them.

Mr. P. R. Rau : This is part of the Resolution of the Assembly, that the demands for grants should be fixed by the Railway Board in consultation with the Standing Finance Committee for Railways and we have been following that procedure.

Chairman : Perhaps the Assembly will change its mind in the light of the experience gained. I do not think we need endorse any remark

which is a criticism of the Assembly itself. We might however put it this way—that we need not regard this as a binding precedent and in that hope and belief we have ourselves commented upon the changes now proposed.

Mr. Badenoch : This arrangement has been in force ever since the demands for grants were introduced. If these had been considered by a body more experienced in the machinery of financial control I think the demands for grants might not have taken the form which they have now taken.

Chairman : We can certainly say that we hope and believe that in putting forward our own views on this question of change as proposed we need not make any public comment upon what happened in the past. We shall now take up the Director of Railway Audit's Report. We shall go through the prefatory remarks.

Report of the Director of Railway Audit.

23. *Mr. Badenoch* : I should like to raise one point in connection with paragraph 7, that is the labelling of irregularities. This is a complicated formula. In the case of the military accounts it has been decided that the Auditor's report really describes the whole thing and there is no point in saying whether the irregularity was discovered by accounts or audit. What we want to give the Public Accounts Committee is the review of the whole situation and I would suggest that this labelling of irregularities might be dispensed with. It is a question for the Financial Commissioner to consider whether he is willing to agree to this ?

Mr. P. R. Rau : I told the Committee that I saw no advantage in this.

Mr. Nixon : My paragraph 6 has some bearing on this.

Mr. P. R. Rau : It is entirely for the Auditor to say what irregularities he wants to bring to the notice of the Public Accounts Committee and so far as I am concerned I do not want it to be published who discovered it.

Chairman : There might be some advantage in this as giving an indication as to the extent to which the accounts are functioning with sufficient care and the extent to which the stuff is left over which they ought to have detected.

Mr. P. R. Rau : Perhaps I may add that the most important function of the Accounts Department is that of preventing irregularities by offering financial advice.

Mr. Badenoch : We do not count Ps. and Qs. and balance them against each other. Actually the Director of Railway Audit is entitled to make a comment as to whether he thinks the accounts are functioning properly. He can give his general impressions.

Chairman : I think we might agree that this kind of classification might cease. We now go on to Chapter II.

24. *Mr. P. R. Rau* : I do not agree with the Director in considering that the net loss in working the railways in 1931-32 was Rs. 4.25 crores. The loss was the total loss of 9.20 crores and in no sense can the net loss be considered to be 4.25. The net loss is 9.20.

Chairman—Taking it with the parenthesis I do not think it is capable of being misunderstood.

Mr. P. R. Rau—My only point is that it is not correct.

Mr. Nixon—The Civil Government have to consider it a loss when they have got to bear the burden.

Mr. P. R. Rau—We got it from our depreciation fund.

Chairman—All we can do is to note these deplorable results with suitable regret.

25. *Mr. Anwar-ul-Ism*—Are you under any statutory obligation to maintain this depreciation fund?

Mr. P. R. Rau : That is a part of the convention.

Mr. Nixon . The question is whether the subject of the correctness of drawing from the depreciation fund has been discussed?

Mr. P. R. Rau : I have replied to several questions in the Assembly on this subject. The position is described in the last sentence of paragraph 11 of Mr. Nixon's Report.

Mr. S. C. Mitra : It is not a reserve really in the ordinary sense of the word.

Mr. P. R. Rau : It would not be proper to go on with fresh borrowing when we have heavy balances in the depreciation fund, and go on adding to them.

Chairman . I should imagine the position would be very different in the future.

Mr. Nixon . No company will borrow while it has a depreciation fund.

Paragraph 12.

26. *Chairman* . We go on to paragraph 12—loss on strategic lines. Could you put it in more popular language?

Mr. P. R. Rau . I have attempted another version of it in paragraphs 70 and 71 of my Review. I am afraid Mr. Nixon's version is more clear than mine.

Mr. Badenoch : To put the matter as simply as possible, I would say this. General revenues are supposed to bear the charges for strategic lines. Ordinarily they bear them through an adjustment against the contribution. When there is no contribution there can be no adjustment and therefore when there is no adjustment, railways are left saddled with the loss on strategic railways. As it has been acknowledged that the loss should be borne by general revenues and as there has been no actual transfer of the loss to general revenues, general revenues have promised to pay interest on the amount of the loss on the strategic railways, which is part of the

total loss on railways and therefore borrowed from the depreciation reserve fund. That is about as simple as I can put it.

Chairman The Director's statement is purely explanatory and he is not criticising it in any sense. Do you think it is satisfactory, Mr. Badenoch?

Mr. Badenoch I think yes, on the whole. Quite frankly, the only possible objection to it is that it is not provided for in the separation convention and that actually railways are not paying any interest on the minimum contribution that they ought to make to general revenues. That has not been provided in the separation convention either. Actually it has been accepted both by the Auditor General and the Secretary of State.

Chairman . The convention was perhaps drawn up at a time when they had not so much reason to anticipate a period of lean years which has supervened.

Mr. Badenoch . There is a technical point too. The contribution is not an asset to general revenues until it is paid.

Mr. Nixon It is not payable until it is earned.

Chairman : That is a matter on which apparently a satisfactory *modus vivendi* has been reached and in view of the impending changes in the next few years, I think we might perhaps accept the position for the present.

Paragraph 13 is a review by the Agent of the Great Indian Peninsula Railway, put in by the Director, because he accepts it as a fair statement of what the general position is.

Mr. Nixon : I think the railways might bear that in mind.

Mr. P. R. Rau . To a certain extent the position is beyond control. I hope the Director approves of these remarks and does not criticise them?

Mr. Nixon : I do not criticise them.

Paragraphs 17 and 60.

27 *Chairman* : Chapter III. Paragraph 17 and paragraph 60 should be taken together. They relate to curtailment of expenditure of a capital nature.

Mr. P. R. Rau : My only comment here is that we must not take the capital expenditure by itself but add depreciation fund expenditure to it because part of the reduction of expenditure on capital is due to the fact that we have written off to the depreciation fund a large number of items of abandoned stock.

Mr. Ramsay Scott : I see that you have been generous to the Bombay, Baroda and Central India Railway. You have given them more than they asked for?

Mr. P. R. Rau . What happened was that the Bombay, Baroda and Central India Railway got a little more by mistake under one head but on the whole they got less than what they wanted. They asked for one lakh under one head and 13 lakhs under another. We gave them 9 lakhs under one and 4 lakhs under another. On the whole they got less than what they wanted.

Paragraph 18.

Chairman . Paragraph 18.

28. *Mr. Ramsay Scott* : Has the cost of the fuel gone down ?

Mr. P. R. Rau : There has been a reduced train mileage.

Chairman : The point is whether the cost of fuel per train mile has been reduced ?

Mr. P. R. Rau . I think the cost has been the same as in the previous year.

Paragraph 20.

Chairman : Paragraph 20.

Mr. Nixon . That requires a specific resolution of the Public Accounts Committee.

Mr. P. R. Rau : I have explained it in paragraph 78 of my Review.

29. *Chairman* : The excess was due to failure to apply for a supplementary grant, which was due to a typographical error. Are we asked, then, to make a recommendation that the Assembly should grant this excess ? Has any Member any objection to raise in the matter ? (*No objection was raised.*) Then we might record that recommendation.

Paragraph 22.

Chairman : Paragraph 22.

Mr. Nixon : This requires a recommendation to the Finance Department.

Mr. P. R. Rau : Here also I have explained the position in paragraph 78 of my Review in regard to non-voted grants. The change in classification was due to an Act of Parliament.

Demand No. 14.—Revenue—Strategic lines.

Mr. P. R. Rau : Here again it was due to the fact that it was impossible to make an accurate distribution of the expenditure between commercial and strategic railways and this was accepted by the Committee last year.

Demand No. 15.—Capital—Strategic lines.

Chairman . It is of no importance . I think we should be able to recommend to the Finance Department that they should regularise these excesses

Mr. P. R. Rau . I would draw the attention of the Committee to paragraphs 5 and 6 of my Review. It compares the expenditure and the financial results of this year with previous years . In paragraph 6 I point out " The operating ratio on all State-owned railways to gross earnings amounted to 57 per cent. as against 59 per cent during the previous year " That shows that we did slightly better than in the previous years

Chairman . You claim that your efficiency of work is shown by the percentage ratio between expenses and receipts

Mr. P. R. Rau . We covered 80 per cent of the further fall in earnings. They include the depreciation which is an uncontrollable expenditure and the figures in the fourth column show that excluding depreciation we brought down the operating ratio from 59 per cent. to 57 per cent . I merely mention it as a fact

Mr. S. C. Mitra : What is your experience of the other railways all over the world ?

Mr. P. R. Rau . Indian railways are very much better off than railways in any other part of the world.

Paragraph 24.

Mr. Nixon . Annexure 2 which is published in this Report seems to be unnecessary and mere waste of space. It might be omitted from next year . The details given therein seem to me to serve no useful purpose.

Chairman . We might keep annexure 2 as the Members of the Committee would like to have it.

Mr. Badenoch . I make a comment in paragraph 5 of my letter about paragraph 24, where I say " The Committee will note with concern the abnormal increase in the cases of defective budgeting and misclassifications brought out in paragraph 24 of the Report."

Chairman . Have you any remarks to make in relation to what the Auditor General says ?

Mr. P. R. Rau : I think the Auditor General is right . We all naturally deplore these misclassifications and wrong provisions and have every year for the last four years drawn the attention of the Railway Administration to this matter.

Chairman . This seems to be the best place to stop our work this evening.

The Committee then adjourned till 11 A.M. on Thursday, the 10th August 1933.

Evidence taken at the Eleventh Meeting of the Public Accounts Committee held on Thursday, the 10th August 1933, at 11 A.M.

PRESENT.

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*

Rao Bahadur M. C. RAJAH

Mr. T. N. RAMAKRISHNA REDDI

Kunwar Hajeer ISMAEL ALIKHAN

Mr S. C. MITRA

Mr K. P. THIAMPAN

Mr MUHAMMAD ANWAR-UL-AZIM

Mr RAMSAY SCOTT.

Dr. R. D. DALAL.

Mr. A. C. BADENOCH, Auditor General

Mr J. C. NIXON, Director of Railway Audit

The Hon'ble Mr J. B. TAYLOR, Financial Secretary.

Mr. P. R. RAU, Financial Commissioner, Railways

Mr V. S. SUNDARAM, Director of Finance, Railway Board

Mr L. S. DEANE, Controller of Railway Accounts.

Members.

Were also present.

Witnesses

Paragraph 25

30. *Chairman* Yesterday, we left off at page 10, paragraph 25 of the report. This paragraph raises a very important subject and the Committee would like to hear the Financial Commissioner's remarks.

Mr P. R. Rau · My opinion is the same as that of Mr. Nixon and Mr. Badenoch agrees with us in this matter. Unless we change the present form of the demands for grants there is not likely to be really effective control of expenditure by the local administrations and in my Review I have mentioned one of the possible ways in which we could obtain some improvement. They will be found in paragraph 109 onwards

Mr. Badenoch · I think, on the whole, this consideration of the new forms of demands for grants had better be taken up afterwards. We had better go on right through the Report up to page 27 which finishes the comments on individual grants before we come to the capital account and then we can take up this subject.

Chairman : Paragraphs 25 to 29 deal with this subject, which we had better leave over for the present.

Paragraph 30.

Chairman : I think perhaps it would be best if we asked Mr. Badenoch who is here just to say what he thinks of it ?

Mr. Badenoch : I think that if Mr. Rau is put in possession of our conclusions in connection with this subject, that is probably sufficient.

Chairman : Possibly you would like to refer to the Financial Commissioner's own proposals which he has made.

31 *Mr. Badenoch* : I explained to the Committee that the criterion for classification made by the Committee last year the Auditor General could not accept. We were left to devise some method by which unanticipated credits should be brought to the notice of the Legislature before or after they were utilised, preferably before, of course. I explained to the Public Accounts Committee the compromise that we reached with Mr. Rau, namely, that he should mention the utilisation of these credits in his budget memorandum or that they should be mentioned in his Review of the Appropriation Accounts. The Committee considered that that did not go quite far enough and recorded a recommendation that any intention to utilise the unanticipated credit should be made known to the Standing Finance Committee and that Committee should pass orders on it. That is going rather further than we had suggested.

Mr. P. R. Rau : If I may say so, it is not quite practicable because our intention has always been to utilise the credits if possible. The only point is in what manner the utilisation of these credits should be brought to the notice of the Assembly. If we know beforehand that there are credits, we can bring them to the notice of the Assembly in the memorandum explaining the budget. If, however, we do not know them beforehand, then they will come into the accounts and the only place to do it is my Review of the Appropriation Accounts. Now, in order to put before the Standing Finance Committee, I should first know what the credits are likely to be.

Chairman : The suggestion made by this Committee was that if it is a question of deciding to incur an unanticipated expenditure because unanticipated credit has accrued, then the Standing Finance Committee should be consulted.

Mr. P. R. Rau : Such a case hardly arises. We would never think of incurring expenditure merely because there is some unanticipated credit.

Chairman : I am glad to hear that you have such a high standard, but that is what I thought to be the position. I think we should like ourselves to be in a position to watch it and make quite sure that the experience of these years bears out what you say. Therefore I suggest that you should accept our proposal on the understanding which I have explained, namely, that it is expressly aimed at the incurring of expenditure which had not been anticipated but which has become possible because of unanticipated credit.

Mr. P. R. Rau : Let me understand the position. If this unanticipated credit is noticed before the end of the year and a railway proposes to utilise it to incur fresh expenditure, which is justified on the ground that the unexpected credit has made more funds available, I can assure you that we are not likely to agree to such a proposal at all.

Chairman : However unlikely it may appear to be, it does happen.

Mr. S. C. Mitra : We would like to make it quite clear that this Committee jealously protects and guards the rights of the Assembly. It is the right of the Assembly to vote on all demands for grants. So, we thought

that it was like a grant over which the Assembly was not exercising its power. Then we thought of other conditions, namely, token cuts. There was no other way open to us. We would therefore make it quite clear that even if indirectly the Assembly is going to be asked to waive its right, it must have due notice.

Mr. P. R. Rau : I am prepared to accept the principle that because there is an unanticipated credit it is not proper to incur some new expenditure which otherwise we would not have incurred.

Mr. Badenoch : Mr. Nixon has suggested two criticisms of the formula, (1) that the word 'substantial' should be put in. He is rather afraid that the audit officers may raise objections even on petty amounts, (2) the expression 'new expenditure' may lead to confusion with 'new service', and he proposes to put in the word 'fresh'.

Chairman : We have not so far used that word in the draft report of the proceedings.

32 *Mr. Ramakrishna Reddi* : Instead of putting in the word 'substantial', you may fix some amount.

Mr. P. R. Rau : That must be left to be settled by the Public Accounts Committee when it is brought to its notice by audit.

Mr. Nixon : It must be left to be worked out in practice. It varies from grant to grant. One lakh may not be substantial in one grant, but Rs. 10,000 may be substantial in another grant. I think we must leave it to the judgment of the audit officer.

Mr. P. R. Rau : On page 52 of my Review, I state : "Individual railway administrations will not be allowed to utilise these credits towards other expenditure without the previous sanction of the Railway Board". Does the Committee mean that the previous sanction of the Railway Board should be given after consulting the Standing Finance Committee?

Chairman : If the amount is substantial, it must consult the Standing Finance Committee.

33. *Mr. Badenoch* : There might be increased credit in one and diminished credit in some other. In such cases there would be no necessity of going to the Standing Finance Committee, unless on the whole there is increased credit.

Chairman : That would be equivalent to reappropriation within the powers of the administration.

Mr. Nixon : We have had this year a big credit in one grant and a big excess in another. If we have to utilise that money we have to go in definitely for sanction under the rules.

Paragraph 31.

34. *Chairman* : Paragraph 31 refers to special practice in 1931-32. Is it special for that year, or has it occurred again?

Mr. P. R. Rau : It has not recurred.

Mr. Nixon : I do not think that will get rid of these explanations 'Due to the distribution of the initial grant by the Agent' is still offered as an explanation despite the unique circumstances of this year. I suggest that this Committee should say that that is no explanation. I want the explanation between the figures of expenditure and the figures of grants. In your pink book you may have a figure of 10 thousand, the Agent in the initial distribution puts down Rs. 8,000 and you may eventually spend Rs. 7,500. He explains Rs. 500 but does not explain Rs. 2,000.

Mr. P. R. Rau : The explanation is that when we put in these figures we are not able to be certain that they are the proper figures. We expect the Agent to re-distribute as he considers necessary. We have not got sufficient information when we prepare the estimates. For instance, an Agent says he wants certain sum of money under a particular grant. We go through previous actuals, and if we consider that that sum of money is not likely to be really required we cut him down by a certain amount to what, we think he is likely to spend. At best we make a guess. Our guess will probably be correct so far as the total is concerned. It will be impossible for us to guess for individual subjects.

Mr. Nixon : I have told my Audit Officers to audit by the figures in the pink book.

35 Chairman : To what extent are you justified in putting before the Assembly an estimate of this division? I admit you are justified in putting your estimate for the total but what is your justification in putting estimates for the division of the total between different sub-heads which have no foundation?

Mr. P. R. Rau : That is the reason why I suggest that the present system of sub-heads leads to impossible situations. If you turn to paragraph 118 of my Review it is said "this final detailed distribution is, owing to the inadequate information available to the Railway Board as to the detailed requirements of each administration, very often imperfect; it cannot naturally be considered as having any finality and the Agent has to be empowered to make whatever reappropriations he feels necessary between these sub-heads. Indeed he is expected to do whatever he can to ensure by reappropriation that the total sum allotted to him is utilised to the best advantage and that there are no excesses under any of these sub-heads while there are savings under others." In point of fact that he makes the reappropriation in May instead of November does not make any difference.

Mr. Nixon : For the one he makes in November he explains, for the one he makes in May he does not.

Mr. P. R. Rau : He cannot. He is making a re-distribution to suit his requirements of the amount that we have distributed owing to an imperfect guess.

Mr. Nixon : In the majority of cases not at all. He is re-distributing the figures that the Agent put up himself.

Mr. P. R. Rau : What we do is to take the previous years' figures, the Agent sends us an estimate for the amount he would like to spend if he gets the money. We take into account the previous years' figures and we fix a certain definite figure under, say, Administration, that we consider is

more likely to be accurate. It is quite possible we may go wrong in some cases.

Chairman : I will put it this way. You have decided upon a certain figure for a group head. You call your Agent into consultation and say, "you propose one lakh of rupees for this head. We are going to cut it down to Rs. 90,000. And you will have to distribute the reduced amount among the different heads of the group." If you have time to consult in this way then there will not be any mistake.

Mr. P. R. Rau : That is the real point.

36. *Mr. Badenoch* : The central point of principle is whether the Assembly votes the grant according to the pink book. Has the Assembly these documents before it?

Mr. P. R. Rau : I submit these documents are only for information. Because if the Assembly make a cut they do not make it under one sub-head of any particular railway. They make a cut in the whole grant and they expect the Railway Board to re-distribute it. Similarly when we make a cut we expect the Agent to re-distribute it as between the different sub-heads of the same grant. That is the only solution of the difficulty. Let me point out that it is essential for the Agent to re-distribute it as early as possible at the beginning of the year as he must tell heads of departments what is the amount at the disposal of each of them.

37. *Mr. Badenoch* : That leaves the Director in a difficult position. Against what does he audit?

Mr. Nixon : There is no appropriation audit that can be done until the end of the year when the Agent gives appropriation.

Mr. Badenoch : There is no doubt that the Appropriation Accounts of Railways, that is to say, the accounts of the whole sub-heads are not accounts of the expenditure against individual heads in the various railways. That is in favour of Mr. Rau's point. Actually I think appropriation audit conducted by a Chief Auditor in an individual railway is rather an executive appropriation audit and not appropriation audit against a grant as voted by the Assembly. It is audit against the orders of the Railway Board. There is a difficult position for audit because the Railway Board does not stand by its order.

Mr. P. R. Rau : That is merely a technical objection because I assume that the Auditor General will be satisfied, if, when the Agent makes an initial re-distribution, he sends it up to us and we formally sanction it.

Mr. Nixon : No. Still I should make a comparison with the details on which you would frame the budget and if I find them varying in details, criticize it.

38. *Chairman* : The trouble is : are we to accept the position in which the Legislative Assembly is asked to vote money on details of expenditure which are really a sham?

Mr. Ramsay Scott : It is very dangerous that the audit should make criticism after the mischief is done.

Mr. P. R. Rau : If the Assembly want to restrict powers of re-appro-

pration they ought to sanction as many grants as there are sub heads, and say that you must get and keep all your money under separate purses

Mr. Ramsay Scott : Then the Government might ask for a grant under customs and spend it on lighthouses

Mr. P. R. Rau : If the two grants are combined, it will be quite reasonable.

Chairman : Logically there is nothing to prevent Government in coming before the Assembly and saying, I want 55 crores voted expenditure, I will spend as I like between the different departments

Mr. P. R. Rau : When the Assembly votes grants under different heads, nobody is entitled to transfer a grant from one head to another. The Assembly in its wisdom votes, say, ten heads. From that we infer that they are anxious that we must not spend money which is voted under one head for a different head. But within that head the Assembly gives sufficient amount of discretion to the executive authority to utilise that sum to the best advantage.

Chairman : Your proposal amounts to this that the sub-heads are merely for information of the Assembly

Mr. Radenoch : In paragraph 117, Mr. Rau provides for sub heads and any departure of expenditure from the amount voted under the sub head has got to be explained by him, so that even if there is re-distribution by the Agent, which materially affects the expenditure against the sub-head, he has to explain that

Mr. P. R. Rau : My suggestion is that the present sub-heads should be changed. For instance, take Demand No. 4-Administration. The Assembly grants under that head various sub-heads such as, agency, audit, stores, and so on. Under each of these sub-heads you distribute between the different administrations. In the pink book you will have agency so much for G. I. P., N. W. R., and so on. My proposal now is instead of these sub-heads you have the different railways as sub heads. If you do that then the Railway Board control the distribution between the different railways, but as regards the various small items under each railway that would be for the railway administration to re-distribute. If my scheme comes into effect the head would be, for instance, working expenses, Engineering and the sub-head will be N. W. R. and the sub-head would be a member of minor heads.

Chairman : What you ask is that the Agent should be at liberty to receive a certain grant under the main head Engineering and under the sub-head N. W. R., the Agent should be at liberty to re-distribute the amount as between repairs of locomotives, etc

39. *Mr. Ramakrishna Reddi* : Do they not send estimates ?

Mr. P. R. Rau : They do send an estimate in November which is based on the actuals of five or six months of the current year and they have to base on that the revised estimate for the whole of year and for the next year.

40. *Mr. Nicon* : Is the position of the Railway Department different from the accounts of any other civil Department ?

Mr. P. R. Rau . There is a difference in the size of the transactions

Chairman . Even if on general grounds, Mr. Rau's re-distribution of the accounts between the different railway sub-heads is conducted, the question whether the detailed heads should be susceptible of redistribution or not will still remain for settlement . This is not really bound up with the answer to the other matter . On this particular point we do not seem to be approaching very clear agreement between the audit authorities and the executive authorities

Mr. Nixon . I can say this, that it will clear up the matter and I am quite able and quite prepared to do appropriation audit against the original budget orders of the Agent of each railway . It is quite easy for me to do so, but these are not the present instructions of the Railway Board . The Railway Board have told the different railways to prepare their appropriation accounts with the pink book figures in the first column, and, if that is so, I must have explanation leading right up to these pink book figures

Chairman . If the Railways communicate their figures to you there will be no difficulty.

Mr. P. R. Rau : That was the procedure adopted during the current year.

Chairman : The question is whether you should ask the Assembly to agree that they have made no grant as between the detailed heads . The figures put before them in the pink book are merely for information to show how the Railways have arrived at this estimate but they are not to be treated as actual grants for each detailed head.

Mr. P. R. Rau . As a matter of fact they are not shown in the grant itself, but in an annexure

41 *Mr. Ramsay Scott* : In paragraph 55 of your Review you say that the budget provision was 37.55 crores while the amount actually distributed was 36.86 crores . Why did you ask for a larger sum than was necessary ?

Mr. P. R. Rau : What happened was this. After the budget was prepared we called all the Agents together and told them that they must make efforts to reduce their expenditure and that as a measure of economy we would ask them to work at 10 per cent less than that figure. That was only for that particular year, that is not a thing which we would ordinarily do

Chairman . That is a satisfactory explanation . This must be treated as a special case. But the more important question is, to what extent does the Legislature wish to hold the Railway Board to the figures of the pink book right down to the smallest details. After all, there would be no limit to it and the detailed heads might again be sub-divided.

Mr. P. R. Rau . In the Finance Department I believe that sometimes a lump sum for probable savings is made and the officers responsible would have to redistribute it among the different sub-heads.

Chairman . I think we may reach a provisional conclusion that if it is decided that it is not practicable to hold the Railway Administration to the figures of the detailed heads but treat them rather as information than as actual grants, then the practice should be in conformity with that position and the Assembly should be asked to agree to the detailed heads being so treated and the distribution of the sub-heads actually made by the Agents

or other responsible officers being communicated as early as possible in the course of the year to the audit authorities.

Mr. Badenoch : That is acceptable.

Paragraph 32.

Chairman : We note that instructions have been issued by the Railway Board.

Paragraph 33.

Chairman : All we can do is to note this

Mr. P. R. Rau : As regards (b), we have told the Railway Administrations over and over again that they should record reasons whenever they make reappropriations, and at the time.

Chairman : We note that instructions have been issued.

Paragraph 34.

Chairman : No remarks.

Paragraph 35.

42. *Mr. Nixon* : The Committee have agreed that down to the unit of the sub-head the Railway Department is responsible to the Legislature. The question is about the units below the sub-head. As in the original grant, so in supplementary grants these details by sub-heads should be given.

Mr. P. R. Rau : I have explained this in paragraph 118 of my Review. I have said there that in future if the sub-heads are "Railways" there will be no difficulty.

Chairman : We might leave paragraph 35 to solve itself on the discussion of the general proposals

Mr. Badenoch : I have dealt with this in paragraph 5 of my letter.

Paragraph 36.

Mr. Nixon : I should like to say something about part (a). It is the Railway Board's instructions to Agents that they have power to re-appropriate between some of the units which are smaller than a sub-head. If they are going to give a block grant to the Agent and tell him to make his own initial distribution, there is no point in the Railway Board retaining in its hands the power to prevent re-appropriation between those units. I suggest that, to be consistent, the Railway Board must divest itself of that power.

Mr. P. R. Rau : We shall take that into consideration when we issue our budget orders for next year. But at present we have no intention of divesting ourselves of that power.

43. *Chairman* : That power is only retained in the case of works. In the case of works, do you propose or do you not, when your new arrangement comes into force, to leave the distribution between these detailed heads with the Agents?

Mr. P. R. Rau : Not at present.

Chairman : That is an end of it.

Mr. Badenoch : As far as capital grants go, the pink book is to be considered as authority for individual works.

Chairman : For the purpose of distribution of grants, the pink book figures are to stand in certain cases and in those cases only will there be a restriction on re-appropriation.

Mr. Badenoch : This point is more important from the Railway Board's point of view than for the Committee.

Mr. P. R. Rau . Paragraph 36 (b). As regards the last sentence it depends upon the actual redistribution. If it is a question of leave salaries and allowances payable in England proving less than anticipated and more money being required in India, it is an inevitable payment. But if it is a question of stores, we would object to it.

Paragraph 73.

Chairman . Paragraph 73 of the Director's Report.

Mr. Badenoch . I have taken that up separately in paragraph 7 of my letter.

Chairman : The Auditor General considers your reasons satisfactory but I wish to deal with the point whether, however good the reasons, you are justified in departing from the convention without first consulting the Committee.

Mr. P. R. Rau : I take it that the Auditor General wishes the convention to be revised : but he considers my contentions reasonable.

Mr. Badenoch : I do not really go into that point. I thought the reasons might be considered by the Committee.

44 *Chairman* : Do you or do you not agree that if there is a convention it should be observed until it is withdrawn ?

Mr. P. R. Rau : My point is this : that I do not think the convention has been really departed from ; but I am quite prepared to accept the Auditor General's views. But I consider that for practical reasons the convention must be amplified to meet this sort of case and I have given my reasons for it.

Mr. Badenoch : There has always been a fight between audit and the Railway Board with regard to this over-allotment against a particular grant and the Public Accounts Committee took up the position that this over-allotment is really irregular. But owing to the arguments put forward by Sir Alan Parsons they made the concession that under certain grants over-allotment might be allowed—grants 4, 5 and 6. This is extending the convention to another grant altogether. I have forgotten the original justification for allowing the over-allotment—I think the idea was that he knew there would be some savings under Working Expenses and that it really was not an over-allotment—the only thing was that the Financial Commissioner could not actually put his finger on the savings.

The question is whether those reasons apply to the grant now under discussion.

Mr. Nixon : Particularly in view of the fact that during the last four years there has been an excess under this grant

Mr. P. R. Rau : In this case there are four grants concerned ; 4 and 6, the Auditor General accepts, are within the convention. I take it he refers only to grant No. 10 now, that is mainly for adjustment between capital and depreciation fund, and I have noticed that in another part of the review the Director objects to the adjustments being postponed for want of budget provision. I have pointed out that it is impossible to obtain grant from the Assembly because we knew of it late in March. It is purely for practical reasons. The only alternative I had was to tell the railways concerned "do not do these adjustments."

Mr. Nixon : There is one other alternative and that is tell them to do it but do not give them the allotment for it

Mr. P. R. Rau : I have done that.

Mr. Badenoch : That is a distinction without a difference

Mr. Nixon : When the Agents increase their allotments I describe that as an over-allotment. The appropriation accounts show it as an over-allotment, not as a mere authorisation to incur outside allotment. I think an authorisation to incur would not have been open to such objection as an actual over-allotment of funds.

Mr. P. R. Rau : I gather Mr. Badenoch disagrees with that view.

Mr. Badenoch : I cannot say that I see very much distinction between over-authorisation and over-allotment

45. *Chairman* : Leaving that distinction, how do you react to Mr. Rau's explanation that it is simply a question of practical convenience ?

Mr. Badenoch : Technically, of course, the extra grant ought to have been applied for.

Chairman : But there was no time to do it ; and leaving it over for a later year is a course which ought possibly to be avoided.

46. *Mr. Nixon* : Is it correct for you to say that these allotments were done at the end of the year ?

Mr. P. R. Rau : Yes : it must have been in March. (*Reads out paragraph 82 of his Review*). I think that is the only practical solution to this and I would ask this Committee to endorse this view

Chairman : Is this sort of thing likely to happen with any frequency ?

Mr. P. R. Rau : It is bound to happen with frequency whenever it is a question of adjustment ; in future because these grants have been amalgamated the question will not arise under grant No. 10. But it might really happen with regard to any grant

47. *Mr. Badenoch* : I am not sure really that the constitutional position is not to postpone the expenditure to next year.

Mr. P. R. Rau : But it may not be due to adjustments. It may be inevitable payments to a contractor, for instance ; and we may render ourselves liable to damages for refusing payment.

Mr. Badenoch : I think that is putting a rather extreme case. If there was so much time involved that damages might be claimed by a contractor, then surely the necessity for the expenditure should have been foreseen : when it is merely a question of payment as between February and April, the correct constitutional position is that that expenditure should be provided for in the next year and paid in the next year. It is true that there is an Account Code rule which says payments should not be postponed : the question is whether that rule is correct.

48. *Chairman* : Does the Committee think that there is any necessity to take up the question of asking for that rule to be altered, that inevitable payments should not be postponed merely for lack of budget provision ?

Mr. Anwar-ul-Azam : Is not there some force in the statement of the Auditor General ?

Chairman : That is rather a practical question for criticising the administration in individual cases : it strikes me that the rule is inherently sound because no amount of voting or unvoting will save Government from incurring inevitable expenditure and it should be met as soon as possible. But there is a convention and there is no reason established for extending it. It should however be understood that in very exceptional cases—and I would emphasise very exceptional cases—we must recognise that it may be necessary to depart from the convention ; and in such cases the Public Accounts Committee will consider the matter when it reviews the accounts of the year in which the expense was incurred.

Mr. P. R. Rau : That is all that I ask for.

(The Committee agreed.)

Paragraphs 37 to 40.

Chairman : We will now take up comments on individual grants.

Paragraph 37—This has some bearing on what we have already discussed.

Paragraph 38.—No remarks.

Paragraph 39.—No remarks.

Paragraph 40—No remarks.

Paragraph 41.

49. *Chairman* : Is there any chance of a change in this matter ?

Mr. P. R. Rau : I think on the G. I. P. there is some difficulty because the administration is differently constituted ; and they cannot come into line with other railways. But I do not regard that as having any untoward effect on control. I understand the railway has evolved a special method of control of expenditure by the head of the department.

Paragraph 42.

Mr. P. R. Rau : The amount was left undistributed because the sanction reached them too late.

Mr. Nicoll : I think it is a misconception of what appropriation is for. You reappropriate not to conform to your expenditure but to make your expenditure conform to your appropriations. Anything that is done at the end of the year cannot achieve that purpose.

Mr. Badenoch : The Agent should be in a position to know earlier what his expenditure is to be and he ought to be able to put up his demand for a reappropriation earlier so as to be able to distribute it properly.

Mr. Nixon : Reappropriations done late in the year are merely eye-wash.

Mr. P. R. Rau : It is not a reappropriation within his powers he has to ask for an extra sum from the Railway Board.

Mr. Badenoch : He did not know his own position until too late

Chairman : I think it is desirable that it should be realised that re-appropriation at the last moment from the point of view of control, even if given effect to, is meaningless

Mr. P. R. Rau : We have already impressed that upon the Agents

Paragraphs 43 to 44.

Mr. P. R. Rau : This matter is receiving consideration I am unable to say when we shall settle it.

Chairman : This is a matter in which the Committee would like to have a report next year.

Paragraphs 45 to 48.

Chairman : No comments.

Paragraph 49.

Mr. P. R. Rau : This difficulty will not arise in future : since 1932-33 these credits have gone to the receipts side.

Paragraph 50.

Chairman : No comments.

Paragraph 51.

Mr. P. R. Rau : It is not exactly an omission. I have explained it in paragraph 36 (e) of my Review. It is rather a technical explanation.

Chairman : The explanation is acceptable to you ?

Mr. Badenoch : Yes.

Paragraph 52.

50. Chairman : You think the new position which has been reached is satisfactory.

Mr. P. R. Rau : Yes.

Paragraph 53.

Mr. P. R. Rau : I think I have explained that in my Review. The position was that formerly the Mysore Railway was treated as a separate line and its expenditure and receipts were shown separately, and the share of its surplus profits was shown under demand No 6. From this year it is treated as an ordinary line worked by the M. and S. M. Railway so that

its expenditure is included in our operating expenses and deducted therefrom under share of worked lines.

51 *Mr. Anwar-ul-Azim* : From what head will you spend for these accidents that you have on the lines sometimes ?

Mr. P. R. Rau : Miscellaneous

Paragraph 51.

Mr. P. R. Rau : No comments.

Paragraph 55.

52. *Chairman* : Are any measures being taken to avoid these difficulties ?

Mr. P. R. Rau : These will probably disappear after the new demands for grants are introduced.

Mr. Badenoch : I think you might leave the Audit Department to settle these points as they are very technical.

Paragraph 56.

Mr. Nixon : I think we have been rather unjust in describing it as postponement of an adjustment. The particular officer in charge thought it was a just criticism. When I was down in Bombay I explained the position to him, because I was satisfied that this criticism was not justified.

Mr. P. R. Rau : As regards these Rs. 85,000 for obsolete stores, when the Agent was asked for sanction to write it off, he issued instructions to find out whether they could not be utilised elsewhere. As a matter of fact, they were able to utilise them elsewhere, and the amount that was written off was only Rs. 14,000.

With regard to the last sentence of paragraph 56, the Director of Railway Audit seems to be under a misapprehension. The delay in an accounts adjustment cannot produce an increase in interest charges, because if we reduce our capital, we have to meet it from revenue or depreciation fund, and our reserves from revenue on which interest are reduced. What we gain in interest here we lose in interest in another place.

Paragraph 57.

Mr. P. R. Rau : No remarks.

Paragraph 58.

Mr. P. R. Rau : I might explain here that certain officers appointed by the Government of India till 1924, were treated as voted, but under the orders issued in October 1930, they were treated as non-voted. It took a long time. The Act of Parliament was passed in 1925, but the orders of the Government of India were issued only in 1930.

Paragraph 59.

Chairman : I would like to remind members that this has been substituted by a cyclo-styled correction slip. (*Here the Chairman read out the substituted slip.*)

Mr. P. R. Rau : The Agent of the S. I. Railway has stated that the

postponement of adjustment in this case was not due to absence of budget provision..... (Reads.)

Mr. K. P. Thampan : What does that line refer to ?

Mr. P. R. Rau : It must be the Shoranur-Cochin line, because the Cochin Darbar is concerned with it.

Chairman : The answer given really depends upon the reference drawn by the Director of Audit.

Paragraph 60.

Mr. P. R. Rau : I have explained it in detail in para 63 of my Review. The main factors leading to the saving of the balance are (1) abandonment or postponement of or slower progress in many works as a measure of economy, or as the result of unforeseen circumstances, and the saving here was 1.62 lakhs ; reduction in expenditure due to change in design or fall in price, Rs. 12 lakhs, unanticipated write-back of abandoned works 8 lakhs, unexpected credits 12 lakhs. Under track renewals, the large saving is due to cheaper rates of work and other economies 15 lakhs, postponement or abandonment of works 17 lakhs, and so on. In fact, the general position is that in many cases the saving was due to the fact that we postponed or abandoned works which we intended to construct and in other cases it was due to cheaper rates of work and other economies.

Paragraph 61.

Mr. P. R. Rau : No remarks.

Paragraph 62.

Mr. P. R. Rau : I am accepting Mr. Nixon's suggestions. We shall attempt to make a provision if we know what the amount is likely to be

Paragraph 63.

53 *Chairman :* Who was the authority who was empowered to make this calculation and who did it ?

Mr. P. R. Rau : It was done in consultation with the Finance Department and the sooner effect was given to it the better it was from the standpoint of railway revenues, because it happened that unintentionally strategic railways were benefiting at the expense of the commercial railways.

*Sub-clauses (b) and (c).—*It does not make any enormous difference because both of them are under the same demand.

Paragraph 64.

54 *Chairman :* Have you done anything or do you contemplate to make your orders clearer ?

Mr. P. R. Rau : Under paragraph 122 of my Review, I am explaining that with the suggestion we are now making we hope to get rid of these difficulties.

Paragraph 65.

Mr. P. R. Rau : This has been set right. The Chief Accounts Officer has reported to me that the control of expenditure is being exercised with reference to all sub heads.

Paragraph 67.

Mr. P. R. Rau : This has been set right by the amalgamation of the two.

Paragraph 68.

55. *Chairman* : Is the liability to error inherent in the system or not ?

Mr. P. R. Rau : It is not inherent in the system , it is a human error. The error has been pointed out to those who are responsible for it.

Paragraph 69.

Mr. P. R. Rau : We have issued necessary instructions.

Paragraphs 70 to 73.

Mr. P. R. Rau : No remarks.

Paragraph 74.

Mr. P. R. Rau : With regard to the B., B. & C. I. Railway, I think there is some misapprehension here. The difference was due to different estimates being made by the Agent of the B., B. & C. I. Railway and by the Railway Board as regards credits from released materials. This will not occur again because these credits will go to the receipts side.

Paragraph 75.

Mr. P. R. Rau : No remarks.

Paragraph 76.

Mr. P. R. Rau : I have told the G. I. P. Railway that they should not have done it. Action has been taken.

Paragraphs 77 to 79.

Mr. P. R. Rau : The only point I would like to make as regards the last sentence of paragraph 77, where the Director says that the accounting authorities are attempting to distribute these sums, is that we are considering the whole question whether it is worth while distributing them at all. We are considering a change in regard to the depreciation fund.

Paragraph 80.

Mr. P. R. Rau : No remarks.

Paragraph 81.

Mr. P. R. Rau : As regards pensionary charges, I have issued instructions that these budget estimates should be based not merely on the previous year's actuals but on the actuals of the last 5 years, and we hope to get greater accuracy in the future.

Chairman : I hope attention will continue to be given to this difficult problem.

Paragraphs 82 to 84.

Mr. P. R. Rau : No remarks.

Paragraphs 85 and 86.

56. *Chairman* : As regards grant 13—Appropriation from the Reserve Fund—we are asked to consider whether any cut made by the Legislative Assembly in one grant should not be adopted in all its arithmetical consequences.

Mr. P. R. Rau : Here again it is a question of time. You know that all the grants are passed finally at the eleventh hour by the operation of the guillotine, and Demand No. 13 almost invariably comes under the guillotine. The only question is whether you can work out immediately at that particular moment when asking for the grant. To the best of my recollection, it is not even moved by the member but it is merely put by the President. I don't think it is a matter of practical importance.

Paragraph 88.

Mr. P. R. Rau : It refers to difficulties in controlling expenditure. This change has been introduced in the budget of the current year and we can only watch and see the results.

Paragraphs 89 and 90.

Mr. P. R. Rau : No remarks.

Paragraph 91.

Mr. P. R. Rau : This was the same point as was raised in an earlier paragraph. I pointed out that strategic railways were getting some money which commercial railways ought to have.

Paragraphs 92 to 94.

Mr. P. R. Rau : No remarks.

Annexure A to Appropriation Accounts.

Mr. Nixon : We have arranged with the Railway Board that we shall in future be able to get the audit of that done before this report is published.

Mr. Badenoch : I think this is a convenient place where we can take up re-modelling of the demands.

The Committee then adjourned for Lunch till 2-30 P.M.

Evidence taken at the Twelfth Meeting of the Public Accounts Committee
held on Thursday, the 10th August 1933, at 2.30 P.M.

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*.

Mr T. N. RAMAKRISHNA REDDI.	}	<i>Members.</i>
Kunwer Hajee ISMAEL ALIKHAN		
Mr S. C. MITRA.		
Mr. K. P. THAMPAN.		
Mr. MUHAMMAD ANWAR-UL-AZIM.		
Mr RAMSAY SCOTT.		
Dr. R. D. DALAL.		

Mr. A. C. BADENOCH, Auditor General.	}	<i>Witnesses.</i>
Mr J. C. NIXON, Director of Railway Audit.		
The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.		

Mr. P. R. RAU, Financial Commissioner, Railways.	}	<i>Witnesses.</i>
Mr. V. S. SUNDARAM, Director of Finance, Railway Board.		
Mr. L. S. DEANE, Controller of Railway Accounts		

Appendix VI—*New Service.*

Chairman : I think it will be just as well to get Appendix VI out of the way, which deals with doubtful cases of new service. This relates to what is a very difficult and yet important question of what is a new service, what is a new instrument of service, and what is neither. The case dealt with in paragraphs 2 to 5 relates to a project which was regarded by the Auditor General as a new instrument of service, and by the Railway Board as not being so, as being normal expenditure. Sir Ernest Burden's final view is contained in the last sentence that emergency is no argument relevant to the question whether the work constituted a new service. The reasons of Sir Ernest Burden are given in paragraph 4 of the Memorandum. He says that every substantial outlay on improving existing services is a new service or a new instrument of service if there has been no provision for this capital outlay in the budget and that the question of emergency is irrelevant although it might be relevant for the way in which the case

is handled. I can conceive of cases in which an extraordinary emergency might lead administrations to incur expenditure on even a new service before they had had time to approach the Assembly or any representatives of the Assembly, but that is another story. That I think is the general outline of the question upon which we have to enter some sort of decision.

Mr. P. R. Rau : The only point about this Bhusawal running shed that I would like to emphasise is that the scheme had been sanctioned and funds had been provided for this purpose in earlier years. We did less than the original ambitious scheme which was sanctioned in 1929. I believe Sir Ernest Burdon himself in another connection said that if there had been provision in the previous year for the particular expenditure a new service was not involved. Of course, I must admit that it was not for this particular expenditure, it was a more ambitious scheme of the same nature. It was for the extension of facilities of locomotive running sheds.

Chairman . That seems to raise a very important question

57. *Mr. Badenoch* . Is it a fact that funds were provided in the initial budget ? As far as we are aware, in the initial budget there was no provision of funds.

Mr. P. R. Rau . I am not sure of that. You may be correct

Chairman : Then we shall have to proceed on the assumption that the sanction of the Board had been obtained, but from our point of view **that** is not a relevant point. The question is whether the sanction of the Assembly, if necessary, had been obtained. The point therefore does not arise, which I thought did arise if funds had been once provided, it being treated in one year as a new service, then if it is actually carried out in another year it is not a new service—that point does not arise.

Mr. P. R. Rau . The only other point is that the Railway Board's opinion is that minor improvements in sheds should not be considered a new service.

Chairman : Some one has got to decide that.

Mr. P. R. Rau : That is why it has been left to be decided. It is for the Public Accounts Committee to decide whether they consider that a minor alteration in sheds, which is of every day occurrence in the railways, should be considered as a new service.

Mr. Badenoch : The decision on this case I think depends on whether the Public Accounts Committee are going to adhere to the decision that they made in what is popularly known as the Kadi Lake case. The decision is given in paragraph 30 of the Committee's Report for 1928-29. I think generally from the audit point of view that that decision was always a doubtful one. The logical consequence of that decision is really to make every capital item not provided for in the budget a new service, and I

think that is a very doubtful decision. This case has been brought up on the basis of that case. It really reopens the Kadu Lake case.

Chairman : It would be more satisfactory to treat the question as a general one. Here we have the Department disagreeing with the conclusion based upon the decision in the Kadu Lake case and the Auditor General, to say the least, is doubtful whether.....

Mr. Badenoch . We are applying that decision and that is the reason why we bring up that item as an item of new service. Actually we always have been rather doubtful of the correctness of that decision.

Chairman . And the administrative Department goes beyond being doubtful ; they think that the implications of that decision are incorrect. This matter must be treated as a general question.

The Hon'ble Mr. J B Taylor : The position is that the Auditor General has sent in instructions to the various Accountants General to give them some guidance in classifying things as a new service or not with regard to Provincial Governments, and that letter was issued by Sir Ernest Burdon, and we thought it might be better to leave the general question until Sir Ernest Burdon returns so that he can explain his views. I understand he has gone very carefully into this, but in the meantime I consider that it is a question depending upon the building up of case law because it is very difficult to lay down any general principles which are anything very much more than mere generalisations. It is for the Public Accounts Committee to decide each case that comes before it—whether it considers that a particular case constitutes a new service, but at the same time I think it desirable for audit not to apply any case too widely because it is very difficult to distinguish one from the other. The Kadu Lake case, as Mr. Badenoch has pointed out, if interpreted too widely, might cover everything that involved unbudgeted capital expenditure.

Chairman : At the same time the audit department should know what to do in such cases.

Mr. Badenoch . We have got to apply the Kadu Lake case and actually the note that was written by Sir Ernest Burdon is an attempt to define the characteristics of a new service in negative or positive terms. Naturally the note is a little nebulous, the ideas are perhaps nebulous ; it is the most difficult problem we have in audit—this question of new service. The purpose of the note really was to get some co-ordination of policy in audit offices because we found the interpretation of audit officers upon it to be divergent. Sir Ernest Burdon prepared this note on the general question largely as a guide to his own audit officers, but also intended the audit officers to bring it to the notice of the respective Governments and he sent a copy to the Government of India. He hoped that in every case the principles of this note might be in due course discussed with the various Public Accounts Committees. The whole idea is to get some co-ordinated policy with regard to what is a new service.

58. *Chairman* : It seems to me that this particular case raises two issues ; firstly, was the objection taken by audit a logical application of the

decision of this Committee in Kadu Lake case, and secondly, has the decision in the Kadu Lake case to be reconsidered by this Committee? There are indications that the Auditor General definitely thinks that the answer to the second question is in the affirmative, but Mr. Taylor has pointed out that it will be better if any such general reconsideration is left over until Sir Ernest Burdon himself is present to advise us.

Mr. Badenoch : Sir Ernest Burdon does not propose any general reconsideration of the principle of this particular decision. He uses this decision in his instructions.

Mr. Nixon : That is the decision of the Public Accounts Committee.

Mr. Badenoch : We cannot question that. We have got to apply it. The only thing is that in his note Sir Ernest Burdon stresses the fact that word "service" in new service has a very important meaning, that actually for a new service there must be an extension of service, an addition of service, modification in character of an existing service, etc., and where there is really none of these conditions, in constitutional practice the item of expenditure should not be considered as a new service.

Chairman : The position is this. We do not find it convenient in Sir Ernest Burdon's absence to consider the second issue, and therefore the only question for us at the moment to consider is the first issue.

Mr. S. C. Mitra : I think the question of revising the old decision does not arise. Each Public Accounts Committee is an autonomous body and it was thought that they would give their decisions in individual cases. It was considered that in course of time there would be a body of case law by which the future committees would be guided. The decision of one Public Accounts Committee is not binding upon another.

The Hon'ble Mr. J. B. Taylor : That is my point. It is a very vague subject and we do not want to lay down too wide generalisations. We realise the difficulties of audit but we would like the Public Accounts Committee to consider each case as far as possible on its merits, being guided no doubt by precedents, but they should not be binding as if they were decisions of court.

Chairman : In that case the first issue is, apart entirely from not attaching any binding consequence to such analogy as exists in Kadu Lake case, is this or is this not a case of a new instrument of service.

Mr. Badenoch : Apart from the Kadu Lake decision itself, if you have extended facilities in Bhusawal that did not exist for repairs, there is an element of new service in that. There is actually an extra service and therefore the item must be considered as expended on a new service.

59. *Chairman* : I presume the repairs would in any case have been done in another place, Bombay. The transfer of provision in one place of facilities to another place—would you regard that as a new service?

Mr. Badenoch : Taking a very strict view I think it would be. If you were dealing with the matter on practical lines I personally would not press it.

Mr. P. R. Rau : It is not as if we built new locomotive sheds at Bhusawal. It is only an extension of existing facilities.

Mr. S. C. Mitra : I remember we decided in one of the previous committees that the amount of money that is spent on a particular project should also form a factor. I think it was in connection with some workshop. Though it was voted, yet it was subsequently so enlarged that the Committee said that considering the large amount spent it should be considered a new instrument of service.

Mr. P. R. Rau : Paragraph 31 (Public Accounts Committee's Report for 1928-29) says, "We are of the opinion that the remodelling was not a new service, not because it was not a sufficiently important and distinct transaction, but because it was part of the transaction originally contemplated at the time of the purchase of the workshops, and it must be assumed that the Standing Finance Committee for Railways knew about it, and, through them, the Assembly also".

Mr. S. C. Mitra : The question is an expenditure of Rs 2 lakhs for which there is no specific grant from the Assembly. I am thinking of the large amount and I am definitely of opinion that it was a new service. As a matter of fact, some member suggested a figure of Rs. 50,000, but the Committee thought that they should not fix the amount but should be guided by the sum involved.

Mr. P. R. Rau : The size of the sum involved depends on the particular work. From the point of view of a locomotive running shed I do not think Rs. 2 lakhs is a big sum.

(*To Chairman*) : If you were to provide a new locomotive running shed in any particular place it would involve a large sum of money, and compared with that, this one lakh and something is not such a big sum, while for a traffic survey Rs 1,80,000 would be a substantial sum.

Mr. Badenoch : From what Mr. Mitra suggests, it means that any new item of expenditure over a certain amount is a new service.

Chairman : I doubt if he meant that ; he only meant that this is one of the determining factors for guiding the Committee in its decision whether a particular item is a new service or not.

Mr. S. C. Mitra : Yes.

Mr. Ramakrishna Reddi : If it is merely an extension of the work as in the case of Bhusawal, then I do not think it can be called a new service.

Mr. P. K. Rau : It is only a transfer of the work from Bombay to Bhusawal.

60 *Mr. Ramsay Scott* : The question is whether it is merely a question of running repairs or general overhaul.

Mr. P. K. Rau : We are still doing running repairs. We are not doing anything more important.

61. *Mr. Nixon* : Then why should it be extended ?

Mr. P. K. Rau : We had to send the locomotives to Bombay because there was no room in Bhusawal. To save this idle running, we thought it would be a good thing to extend the facilities at Bhusawal. It is day to day engine maintenance.

Mr. Nixon : There is no general overhaul ?

Mr. P. K. Rau : I do not know for certain but I should think it is unlikely.

62. *Mr. K. P. Thampan* : It is only repairs now. If they make locomotives there, would you call it an extension ?

Chairman : It would not be a logical extension. The question is really whether the sum involved is a substantial one.

Mr. S. C. Mitra : I personally believe it is a new extension.

Mr. Badenoch : If Mr. Rau is correct, and there is no reason to doubt the correctness of his view, that it is merely improved facilities for repairs, then it would be difficult to say that any mere improvement is a new service.

Chairman : Supposing you had a little shed capable of overhauling one engine and you proceed to enlarge it so as to be able to overhaul a dozen engines, it will mean such an enormous increase.

Mr. P. K. Rau : If you could postpone a decision on this subject, I could give you more facts to-morrow.

Mr. S. C. Mitra : There are several considerations. Each case must be decided on its own merits.

The Hon'ble Mr. J. B. Taylor : There is one other precedent which is pertinent to the present point. In 1926, the Public Accounts Committee ruled that the safeguarding of an existing source of revenue is not a new service. In other words they did attempt to draw some distinction between expenditure for repairs and expenditure for the creation of new facilities.

Mr. Nixon : That is another woolly generalisation which cannot be very helpful.

Mr. S. C. Mitra : For various reasons this should be treated as a new service.

Mr. K. P. Thampan : I am inclined to think it is a new service.

Mr. Ramakrishna Reddi : If it is only an extension of the existing facilities, I do not think it can be regarded as a new service.

Doctor R. Dalal : I agree with Mr. Mitra.

Mr. Anwar-ul-Azim : I think it is a new service.

Mr. Ramsay Scott : I think it is a new service.

Chairman . The great majority of the members of the Committee are inclined to the view that this should be treated as a new service. I have personally some difficulty in recording a definite opinion on the point.

Mr. Badenoch : If the Committee rules it is a new service, then it must base its decision on some clear and specific grounds. Both the executive and the audit should have something to work upon.

Mr. Nixon : Otherwise we should not be able to build up this case law.

Mr. S. C. Mitra : Formerly the Railway Board brought an estimate of 5 lakhs and 25 thousand. They did not bring it before the Legislative Assembly. Now on the excuse that it is a mere extension about 2 lakhs has been spent. I think under no circumstances should such sums be allowed, so that the Assembly and the Public Accounts Committee may be deprived of their say in this matter.

Chairman : What I would say is this. The subject is a debatable one but the fact that the sum involved is very considerable should lead to the classification of the item as a new service. I feel some difficulty as a temporary occupant of my position in recording a positive view. It is either a provision for increasing the facilities for repairs of locomotives or it is for overhaul. In the second case, I for one, would feel no doubt about it. If it is the first, we have recorded a decision on the assumption that it was extending the facilities. We recognise that there are reasons why the classification of this thing should be regarded as debatable but the very large sum of money involved is enough to be the determining factor and this should be treated as a new service.

63. *Mr. P. R. Rau* : Is the amount involved the sole reason that leads the Committee to this conclusion ?

Chairman : It is not the sole reason. It is a determining factor.

Mr. P. R. Rau : Then what would be the limit in the view of the Committee ?

Mr. S. C. Mitra : Each case must be decided on its own merits.

Chairman : You must exercise your discretion. We now take up paragraphs 6 to 9 (Appendix VI). In paragraph 8 the Auditor General is unable to accept the view that an alteration or improvement following from some scientific discovery does not constitute a new service.

Mr. Badenoch : I have no doubt at all about this case. It is a new service.

Chairman : If you are driving a horse-driven bus and change it to a mule-driven bus then it is not a new service, but if it changed to an electric bus, then it will be a new service.

Mr. P. R. Rau : Supposing I change from oil lighting to electric lighting ?

Chairman : There the element of discretion has got to come in. I think we might endorse the view of the Auditor General on that point. Paragraph 9—“ Emergency provision”. You say, Mr. Rau, that Legislature has given you a free hand ?

Mr. P. R. Rau : The recommendation of the Public Accounts Committee was that we should have a margin for emergency expenditure of this character.

Mr. Badenoch : On the facts, the argument is wholly irrelevant, because this particular case came up at a time when a grant could have been obtained.

Mr. P. R. Rau : I take it that when the Assembly has given us a grant for this expenditure, we need not ask for an additional grant.

64 *Mr. Nixon* : Can you honestly say it is emergent ?

Mr. P. R. Rau : There were special reasons of an emergent character.

Mr. Badenoch : I pointed out at the time that this was a new service and I am perfectly certain there was an opportunity of going to the Assembly. The question is whether a new policy can be introduced or a totally new service and put through without the consultation of the Legislature on the ground that it is emergent.

Chairman : If it is emergent in the strict sense of the term, it must be done at once in the best interests of the country.

Mr. Badenoch : I doubt very much whether it is constitutionally correct. Even then I say an excess vote after the event is necessary.

Chairman : When there is an emergency, the law will have to take second place.

Mr. Badenoch : Even so, it ought to be reported to the Assembly later on. That is the point.

Mr. P. R. Rau : The question is whether it should be done even when we have the money for it voted by the Assembly. I assume the Assembly has provided this money for emergencies for new service as well as others.

Chairman : Nothing else but an extreme urgency, involving serious harm to the interests of the country, should justify the use of this money without reference to the Assembly.

Mr. Badenoch : Even in that case, there should be a report to the Assembly.

Chairman : That will be a very good thing.

Mr. Nixon : There ought to be a report on every substantial item of expenditure.

65. *Chairman* : The question really is whether the emergency was so extreme as to justify incurring expenditure on a new service without going to the Legislature.

Mr. Ramsay Scott : When we review these things two years hence it may not appear so emergent.

Chairman : I do not think that surrenders our position in any way

Mr. Badenoch : I would not challenge the duty of the Railway Board to incur expenditure on emergent measures provided that there is no attempt to get through a new service under the cloak of emergent expenditure.

Mr. P. R. Rau : I quite agree that the emergency must be real but when it is an emergency, my point is we have got funds provided by the Assembly itself.

Mr. Badenoch : I think that the Assembly cannot be considered to have provided for any number of new services under the emergent grant

66. *Chairman* : When it is emergency in the true sense and when you have a reserve from which you can meet it, should you go to the Assembly ? I personally feel that you should go to the Assembly if you possibly can and you should be content to see some of your reserves lapse

Mr. Badenoch : You might have a token vote if you like.

67. *Mr. Ramsay Scott* : We have reposed a certain amount of confidence in you and we want to know whether that is being abused or not ?

Chairman : You can go ahead with the expenditure but you must report.

Mr. P. R. Rau : Mr. Badenoch's point is that we should go to the Assembly.

Mr. Badenoch : It can be emergent only if there is no time to go to the Assembly, and it will be detrimental to the interests of the country if the expenditure was not incurred. If you can approach the Assembly in time, then you ought to go in for a token vote.

Mr. P. R. Rau : That is the point on which I differ from Mr. Badenoch. The Assembly themselves have granted this money.

Chairman : My opinion and that of the Auditor General and I believe of most of the members of the Committee is that you should go to the Assembly with a token vote. You must go before the Legislative Assembly to spend this money, which has been provided in general terms, on a new service, if there is time for you to do so.

68. *Mr. P. R. Rau* : Then the second question is what is a new service ?

Chairman : That is a general question which must be decided in every case. I do not think you need complicate the issue by bringing in this point. If you consider it a new service, you have got to use your discretion. If there is a difference of opinion, we here decide the point. If it is a new service and if it is really emergent, you must carry on and in due course report it to us. If it is not really emergent and there is time to approach the Assembly, you must do so. That is the view held by the Auditor General, by myself and by the members of the Committee.

Mr. P. R. Rau : In this particular case, for instance, the Railway Board and the Director of Railway Audit have a difference of opinion

Chairman : What I wish to put to you is this. In every case where the problem arises whether it is or it is not a new service, the answer must

be given in the first instance by the executive authority. They must consider it. That conclusion must be formed entirely irrespective of the question whether they are going to spend the money from the emergency grant or otherwise.

Mr. P. R. Rau : As I understand it, the position is that if the executive consider it a new service, then even if there is an emergency provision for it, they ought to place it before the Assembly as a token grant.

Chairman : As to the truth of the statement contained in paragraph 9 of the Auditor General's Memorandum there can be no room for doubt.

Chairman : That brings us, Gentlemen, to the end of this particular case law.

Director of Railway Audit's Report—Chapter 5.—Capital Account.

Chairman : The position described this morning was that you were engaged actively on the examination of this subject. The Audit officer has raised the cases described in paragraphs 97 and 98 as contributions to that discussion.

Mr. Badenoch : Paragraph 9 of my letter deals with this subject. These are minor points.

69. *Chairman* : How far is it possible and how far is it intended to take measures to counteract these influences ?

Mr. P. R. Rau : This point will have to be considered. I am not in a position to make a general statement.

Mr. Nixon : You have generally given effect to paragraph 98 (i). The Railway Board has issued some orders on that.

Mr. P. R. Rau : Those orders have been cancelled.

70. *Mr. Chairman* : Do you think you can find a satisfactory solution ?

Mr. P. R. Rau : I hope so.

71. *Mr. Badenoch* : What about paragraphs 97 (i) and (ii) ?

Mr. P. R. Rau : As regards (i) we are looking into the matter. I had a meeting with the Chief Accounts Officers to consider this question. The question of principle had been settled some time ago but the actual working out of detailed rules is giving some trouble and it is under the consideration of the Controller of Railway Accounts and the Director of Mechanical Engineering. Paragraph 97 (ii) is a question of definition only of what we mean by stand-byes. We have issued instructions on this point.

Chairman : So, so far as these questions are capable of being dealt with departmentally they have been handled.

Paragraph 100.

Mr. P. R. Rau : A decision has been reached in both cases.

Mr. Badenoch : I do not think anything can be done about previous years.

Paragraph 102

72. *Chairman* : I presume instructions have been issued or will be issued ?

Mr. P. R. Rau : The Government Examiner is looking into each case. Every case of allocation has to be certified by him.

Paragraph 103

Mr. P. R. Rau : We have consulted the Company-managed railways in this matter and some of them have raised certain objections. We shall have to consider them carefully.

Chairman : The Committee would like this reported in the pending list for next year.

Paragraph 105

(The Chairman read out the note on this paragraph.)

73. *Mr. Nixon* : I can only say that these are not the inferences drawn by the Director of Railway Audit but are the remarks of the administration with which the Railway Board does not agree. They are not my deductions. I still feel that there was some slight frailty in the scheme and possibly the Railway Board would not have acted in this manner had they looked more ahead. I do not know if the Railway Board are prepared to accept that statement of mine. I feel that there is something in the situation that was not entirely creditable.

Chairman : One point is raised at the beginning of the paragraph of this note which relates to the gross tonnage having been so much lower in the new section.

Mr. Nixon : I am rather inclined to dispute their figures. My people down there got these figures from the statistical section of the Railway. However, the conclusion that I came to was that there was not a great deal of increase of traffic and therefore there could not have been any cause for the cracking of the rails.

Mr. P. R. Rau : There was an increase in the gross tonnage by 25 per cent. and the increase in the number of passengers by 30 per cent.

Mr. Ramsay Scott : These rails seem to have been laid down without taking into consideration the fact that there may be an increase of 30 per cent.

Mr. P. R. Rau : At the time it was felt that 75 lb. rails would be quite enough for that particular bit.

Chairman : There is one point that will be of interest to the Committee and that is a point which requires no technical knowledge at all. It is the statement in the last sentence. "The true measure of loss on this account is the additional interest to be paid on this cost for the period between the particular relaying and the date on which relaying would have been necessitated by the usual growth of traffic."

74. *Mr. Ramsay Scott* : What is the usual period of the life of the rails ?

Mr. P. R. Rau : 60 years, but it does not mean necessarily in the same place.

Chairman : But clearly the particular relaying occurred after a very much short period. Suppose the difference was 15 years, that is enough to make the total of the interest equal to the original cost. So, it is not such a satisfying answer as it at first sight may appear. Do you see any flaw in that ?

Mr. P. R. Rau : In this case particularly the increase in traffic was much more than we had anticipated, and it might have been necessary to relay it much earlier than the ordinary period. But we did relay it earlier because we wanted 75 lb. rails for a new construction and replaced them by 90 lb. rails.

75 *Mr. K. P. Thampan* : Did you have any estimate of the traffic before the project was decided upon so that you could decide whether 75 lbs. rails or 90 lbs. were needed ?

Mr. P. R. Rau : We had the traffic report and it was on that report that the Board decided to have 75 lbs. rails.

Chairman : We have already had some figures. At the time the gross tonnage on the section in question was under 2 million tons as against 4 million tons on the adjacent section. I take it that we may safely assume that those figures were taken into consideration when the project was being estimated.

Mr. Ramsay Scott : The whole thing is a guess work and it seems to me that inefficient staff was employed for the collection of figures.

Chairman : It is very difficult for us to come to any definite conclusion.

76. *Mr. S. C. Mitra* : Did you take into consideration the fact, while preparing your estimates, that there may be a large increase ?

Mr. P. R. Rau : Of course, we always take into consideration the traffic during the next few years. What really happened was that the traffic increased to a much larger extent than was originally foreseen.

Mr. S. C. Mitra : I think you did not take into consideration that XB engines are heavier.

Mr. P. R. Rau : Our technical experts say that they could not have been responsible. The weight of each wheel is actually less. Mr. Wrench is our technical expert. You could ask him to come before the Committee.

Mr. S. C. Mitra : I would like to see him. In the public mind there is an apprehension that XB engines are of no use.

Chairman : Perhaps we could arrange for it. I can ask Mr. Wrench to attend to-morrow morning. In that case, we had better postpone our remarks until we have seen Mr. Wrench.

Paragraph 106.

Mr. Nixon : It is not intended to be a critical paragraph. It is more descriptive than critical.

Paragraph 107.

77. *Mr. Nixon* : This is a case where the expenditure was suggested by the audit as not justifiable.

Mr. Badenoch : The last sentence in paragraph 9 of my letter refers to it.

Chairman : Who will open the discussion on this para. ? *Mr. Badenoch*, you have really stated your point ?

Mr. Badenoch . I have stated my point . I have no doubt that it occurs in many cases and thus is just a definite place for raising the point

Mr. P. R. Rau : As regards the merits of this particular case I should like to point out that our relations with the Gwalior Darbar are somewhat special. The line was constructed with a loan of 1½ crores from them and the remodelling of the station building and yard was recognised by the Railway Board as desirable so early as 20 years ago . Gradually they went on postponing remodelling till the Darbar got impatient . In 1925 a scheme was put in but the traffic facilities required at that particular time did not justify any grand scheme of remodelling. We thought if we did this particular bit we could delay the general remodelling of the station for a number of years

Mr. Nixon : The Auditor General accepts it as an item of expenditure but the question is—having been spent, ought it not to be charged to revenue instead of capital.

78. *Mr. Badenoch* : Assuming that it is admitted to be not financially justified should it remain dead capital ?

Mr. P. R. Rau : I gave the past history of the case. It may not have been financially justified at that particular time. At the least it can be said it was remodelled a few years earlier than necessary. The scheme had been under consideration for a number of years.

79. *Mr. Badenoch* : The whole question is this great problem of over-capitalisation of railways. Apart from this particular case, there is no doubt at all that there must be many cases in which railways do incur expenditure which cannot in the nature of things be expected to give a return.

The Hon'ble Mr. J. B. Taylor : The answer to that must be neither unprofitable revenue nor unprofitable capital expenditure should be incurred. To which head it must be debited must be a question of proper classification.

Chairman : Or possibly having been expended for the benefit of other interests, it should have been debited to general revenues . Either it should not have been spent or, if spent, debited to general revenues.

Mr. P. R. Rau : A building is surely one of the most obvious instances to be charged to capital.

The Hon'ble Mr. J. B. Taylor : Surely under the ordinary system of capital allocation it must go to capital.

Mr. Badenoch : Even if it is financially unjustified ?

Chairman : The Finance Secretary has given a clear presentation of the problem.

Mr. P. R. Rau : The suggestion of the Auditor General amounts more or less to this that we must write our capital down or up from time to time to correspond to our earnings.

Chairman. I see much force in the suggestion of the Finance Secretary that the question whether the expenditure is paying or not is not necessarily a criterion to decide whether it should be met from revenue or capital.

Mr. Badenoch. That at present is not the criterion. The criterion is extra cost. Of course, the earning capacity criterion is one that is followed by a number of commercial concerns.

The Hon'ble Mr. J. B. Taylor. Suppose the earning capacity of railways diminishes by 20 or 30 crores, can we write down straightaway to capitalisation of that amount. A railway station is built to handle so much traffic. It is built on a grand scale but if the traffic diminishes we cannot possibly write off straightaway the short fall in the capital.

80 Mr. Niron. What do you do with regard to an abandoned station?

The Hon'ble Mr. J. B. Taylor. The depreciation account is there.

Mr. P. R. Rau. We have got certain abandoned projects at the debit of capital. I do not think there is any analogy between an abandoned station and a station on which a certain amount has been spent which in the opinion of certain people should not have been spent.

Mr. Niron. Mr Taylor's principle would apply exactly to an abandoned project. I say that an abandoned project should be slowly written back to revenue.

The Hon'ble Mr. J. B. Taylor. To the depreciation fund.

Mr. P. R. Rau. At the present moment if a building is abandoned the whole cost of it would be written off to depreciation straightaway. As regards Company managed railways we have to go according to contracts. We cannot force them to write it down on anything like that.

The Hon'ble Mr. J. B. Taylor. From a practical point of view it will be difficult to decide in the case of a bridge or a railway station how far it is covered by the earning capacity.

Mr. Ramsay Scott. It really means this. By remodelling this station you will have to slow down the construction in places where it is needed.

The Hon'ble Mr. J. B. Taylor. If that expenditure is unjustified, it will be objected to.

Chairman. On the question whether for that reason or similar reason it should be written off more quickly than it would be by the depreciation account, I candidly confess that it seems to me that the Finance Secretary has put forward very good practical consideration against adopting that view.

Mr. Badenoch. Another case of the kind is the extra amount paid to Totus on rails where you pay more than you need.

Chairman. It is a difficult proposition. We should ascertain that figure and debit it to revenue. In a concern which cannot be worked on purely commercial principles, it has behind it the whole resources of Government. Is it not possible in those circumstances where it is convenient to depart from what might conceivably be purely sound view of a purely commercial concern, for the sake of convenience, to adopt our own methods.

81. *Mr. P. R. Rau* : The question is really much more important than that. The question is whether we should have an amortisation fund for the whole of our railway capital. We cannot take into account bits here and there, and say that as it would have cost less if a more prudent man had handled it, the difference should be charged to revenue.

Chairman : The Finance Secretary is in accord with the views of the Railway Board. On the assumption that we did pay too much, then this general question is raised. It might be held on the facts of the case that the expenditure was necessary. Even so this general question has been raised by implication and we have had the views of the Finance Secretary and the Auditor General. I should like to know whether any member of the Committee has to say anything about it or would like to suggest any recommendation that this Committee should make in its report or would prefer to keep the question open for consideration. It is purely a question of opinion.

82. *Mr. S. C. Mitra* : The amount involved is only 2½ lakhs.

Chairman : That does not measure the importance of this general question. Assuming that it was not altogether justifiable should the amount by which it was not justifiable be written off to revenue and taken out of the capital account more rapidly than the depreciation fund allows. The Finance Secretary thinks no and says it would cause intolerable confusion.

Chairman : I am in favour of adopting the view of the Finance Secretary.

Mr. Nixon : I think even the Railway Board are considering such matters as abandoned assets and things of that sort. Mr. Taylor's general ruling would apply just as much to abandoned assets as to anything else.

Chairman . Mr. Taylor would be content to word his view as a general proposition which admits of exceptions.

The Hon'ble Mr. J. B. Taylor . Certainly abandoned projects are capable of separate treatment. My proposition is merely with reference to expenditure not financially justified which is an impossible criterion which cannot be applied in practice.

Chairman . Speaking on the general issue of projects the expenditure on which is not financially justified, to the extent to which it is the case, we are not prepared to accept the view as a general proposition that special measures should be taken to take them out of capital account. Having recorded this we have still got to consider the question in its specific case whether we are satisfied that this expenditure was not financially justified. Mr. Rau has mentioned in this case some tangible reasons why it must be recorded as morally necessary to do something to meet the wishes of the Darbar.

Mr. Badenoch : Audit do not press that point
Paragraph 108.

Mr. P. R. Rau : No remarks.

Paragraph 109.

83. *Mr. Nixon* : Largely my paragraph is descriptive. I am not particularly critical except in regard to the matter whether it is worth while carrying on a plant just to supply Assam-Bengal Railway. The

idea of the Railway Board is it acts as an insurance against the market putting up prices and on the whole I do not wish to put forward the contrary view in the face of the opinion of the Railway Board.

Mr. P. R. Rau : As a matter of fact we are considering from time to time whether it is worth while continuing this.

Mr. Nixon : You can buy sleepers at Rs. 2-3-0 and manufacture them for 2-8-0 and by this scheme 5 annas is the interest you have to pay in any case. So there is not very much in it financially.

Chairman : We note that this is receiving consideration of the Railway Board.

Paragraph 110.

Mr. P. R. Rau : We generally accept the criticism.

Chairman : The gist of the paragraph is that the criticism is generally accepted and a circular letter has been issued to Railway Administrations addressed to the Agents of the different Railways on the subject of introduction of modern methods, systems, designs, materials, plants and equipment. I infer from that that the Railway Board is well alive to the position.

84. *Mr. S. C. Mitra* : Why have they spent large sums of money instead of trying on a small scale ?

Mr. P. R. Rau : The explanation in this particular case is this. The Engineer was so impressed with the results of certain trials in England that he thought it best to start all the engines at the same time. The Engineer was responsible for an error of judgment and the Railway Board have drawn the attention of the Bengal-Nagpur Railway, to the lessons to be learnt from this.

Paragraph 111.

Mr. P. R. Rau : We are informed that there is nothing to show that the dam constructed with better class material would have cost less. In the opinion of the Chief Engineer, Madras and Southern Mahratta Railway, all that can be said is the expenditure was under-estimated in the first instance.

Paragraph 112.

Mr. P. R. Rau : Apparently they went on the experience in other countries. Considerable economies have since been made.

Chairman : This is a case which looks to me as one of those which occur in every department perhaps more in the years after the War, where technical experts were so impressed with the value of inventions that they insisted upon using them even if there was no use for them.

85. *Mr. Ramsay Scott* : If a plant was not of much use it might be passed on to the other railways. Otherwise, there will be tremendous waste.

Mr. P. R. Rau : We shall consider the suggestion.

Paragraph 113.

Chairman : We shall ask tomorrow Mr. Wrench about these locomotives, and about the point raised in this paragraph.

The Committee then adjourned till 11 A.M. on Friday, the 11th August 1933.

Evidence taken at the Thirteenth Meeting of the Public Accounts Committee held on Friday, the 11th August 1933, at 11 A.M.

PRESENT .

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI

Kunwar Hajee ISMAEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THIAMPAN

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT

Dr. R. D. DALAL

} *Members.*

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit

} *Were also present.*

Mr. P. R. RAU, Financial Commissioner,
Railways.

Mr. V. S. SUNDARAM, Director of Finance, Rail-
way Board

Mr. L. S. DEANE, Controller of Railway
Accounts.

Mr. J. M. D. WRENCH, Director, Engineering,
and Chief Controller, Standards.

} *Witnesses.*

Chairman : The first point arises out of the discussion of paragraph 105 of the Audit Report which dealt with the laying of 75 lb rails in the first instance and 90 lb rails later. We were more or less satisfied with the explanations given but some members wanted to ask some questions

86. *Mr. S. C. Mitra* : There is a general impression that with the advent of new heavy big engines our lines are giving way and it has become necessary to change these lighter rails. Is that correct ?

Mr. Wrench : No, with the heavier engines the stress on the rails is less than in the case of the older engines. The new engines are carried on more wheels and the load on any one pair of wheels is not higher than the existing engines. The stress set up in the rail is the load on the wheel *plus* the hammer blow which is brought about by the over-balance weights. We have reduced the over-balance from 66 per cent. to 33 per cent. The stress in the rail is consequently less than under the old engines.

Mr. S. C. Mitra : Was the XB engine designed by Indian railway experts ?

Mr. Wrench : Yes, it is one of the designs originally prepared in 1924.

Mr. S. C. Mitra : So you think that due to these heavier engines there is no necessity of having heavier rails ?

Mr. Wrench : There is no necessity at all. The XB engines were so designed that they would be capable of running on 75 lb. rails although they can be used on heavier rails.

87. *Mr. S. C. Mitra* : Do you think this latest design is the best for speed purposes or consumption of coal ?

Mr. Wrench : Yes, for that weight of rail. We have a heavier engine XC designed for 90 lb. rails. The designs are similar, except that the proportions of XC are larger.

Mr. S. C. Mitra : So in this particular branch line, you think the heaviness of the engines had nothing to do with it ?

Mr. Wrench : Nothing. It is partly due to the increase of traffic and partly due to the ballast.

88. *Chairman* : Are these XB locomotives being used on a number of different lines in India ?

Mr. Wrench : They are being used on the E. B. R., E. I. R., the M. and S. M., S. I. R. and the G. I. P.

Chairman : Is the general experience satisfactory ?

Mr. Wrench : We have received reports that at high speeds they oscillate. This would not have any effect on the rails, although it might spread the track from the correct gauge.

Chairman : It has not resulted in any accident ?

Mr. Wrench : No.

89. *Chairman* : We will now turn to paragraph 113 which refers to the Y. F. class of locomotives introduced on a number of railways. Has Mr. Wrench any further explanation to offer on this ?

Mr. Wrench : What happened in this case was that we wanted an engine with a wide fire box to use low grade fuels, and there were no engines, on Indian Railways with a fire box of sufficient area to burn low grade fuels. It was decided to introduce a 0-6-2 engine, 6 representing the three coupled wheels and 2 the small wheel at the back to carry this large fire box. Trouble with oscillation was experienced and we tried numerous remedies to get over it. The first alteration suggested was to introduce a leading wheel at the front end. One engine was altered at Ajmere and one on the S. I. R. This only made things worse. I then suggested to the B., B. and C. I. that they should move back the hind track wheel 16 inches. This was done and they have since reported that it is highly satisfactory. The alteration cost about 900 to 1,100 rupees.

Chairman : So you can now put the thing right at a small cost. That very greatly meets the objection which has been raised. I think with regard to this we will note that the Railway Board have expressed agreement with the general principle raised by audit and it was in exceptional circumstances that it was departed from. In this case the experience has been fortunate and it has been found possible to make them satisfactory at a small expense.

Chairman : As the time at our disposal is somewhat short I suggest that we should now take up the Auditor General's letter leaving the passages in Mr. Nixon's report which are not mentioned there for any spare time we may find, failing that the members of the Committee may study this at their leisure and note down the specific points which at the meeting after the session they will wish to raise.

Paragraph 10 of the Auditor General's letter.

Mr. P. R. Rau : There is very little difference between my views and Mr. Nixon's in this matter. But it is a highly technical subject and my proposals are not final ; and I would suggest that the best plan would be for the Committee to say whether they are in general agreement with the views laid down here and Mr. Nixon and I could work out the details and present them before the Committee next year.

90 *Chairman* : So you agree that the present system is unsatisfactory and that without committing ourselves to any actual details we will invite you and Mr. Nixon to work out the alternative scheme ?

Mr. P. R. Rau : Yes. In paragraph 94 of my Review I have suggested an alternative but I would not say that it is final.

Mr. Badenoch : I think Mr. Nixon has put us on the right lines and it is essential to get on to this double account system.

91. *Chairman* : You accept the double account system ?

Mr. P. R. Rau : Yes.

Chairman : Then we will approve of the double account system being introduced subject to the details being worked out and reported to us and subject to critical examination of the results by the Public Accounts Committee.

92 *Mr. Ramsay Scott* : How long will this take ?

Mr. P. R. Rau : The 1932-33 figures will be given in the new form to the Public Accounts Committee next year.

93 *Mr. Ramsay Scott* : What is the chief defect in the present system according to Mr. Nixon ?

Mr. Nixon : As the balance-sheet is at present put we have two large items, one, the amount of money put up by Government and the other the fact that it is all spent. What I suggest is that that sum of money that has been put up by Government and the manner in which it has been spent should be spread out into the accounts in somewhat greater detail than is done at present.

Chairman : We will record our approval of what has been suggested subject to the details being worked out and reported to us.

Mr. P. R. Rau : There is one more point. The question is whether we should continue to publish the profit and loss accounts and balance-sheets of individual railways, and that is dealt with in paragraph 122 of Mr. Nixon's Report.

94. *Chairman* : Could you explain your own attitude on this subject ?

Mr. P. R. Rau : Mr. Badenoch has suggested that an approximately accurate profit and loss account of individual railways should not be difficult to work out. There are, of course, certain limitations because there are certain items like reserve fund balance, etc., which cannot be separated. Subject to these limitations, it is always possible to give an approximately accurate picture of the results of individual railways, and my own view is that it would be better to continue to do that.

Mr. Nixon : With regard to this I will invite a reference to pages 43 and 44 of my Report.

Chairman : I take it that Mr. Badenoch's idea is that there will be a consolidated balance sheet—these will be merely subsidiary.

Mr Badenoch : I would not stress so much the balance sheets of individual railways as the profit and loss accounts. These should be continued because over a series of years they give perfectly good comparative results.

Director of Railway Audit's Report, paragraph 128.

95 *Chairman* . Paragraph 128 of *Mr. Nixon's Report*. Could you tell us what the present position is in that matter ?

Mr P. R. Rau . Those instructions were issued some time ago—I think a couple of months ago.

Chairman . You are quite certain you have embodied therein all the important principles which were discussed last year ?

Mr P. R. Rau . Yes.

Paragraph 138

96. *Chairman* . Paragraph 138. This is marked as sent to the Railway Board. Has the statement been accepted ?

Mr. P. R. Rau . Yes. The Railway Board consider that the Engineer should have consulted the Chief Accounts Officer as the Chief Financial Adviser of the Railway Administration.

97. *Chairman* . Do you think that that will reach all officers who may be in the same position ?

Mr. P. R. Rau : Our new contract rules state definitely that when ever there is any intention to vary the terms of the contract they should consult the Chief Accounts Officer and also the legal adviser. In this case I cannot see from whom the overpayment can be recovered. The contractor has got the money and unless I file a suit against him nothing can be done. I have no objection to take legal advice but I consider it extremely doubtful whether we shall be in a position to recover money that has been paid to a contractor by proper authority.

98 *Chairman* . Would the Committee like to suggest that legal advice should be taken ?

Mr Ramsay Scott . It might be throwing good money after bad !

Mr. P. R. Rau : We shall only consult our Government Solicitor whose services we can get without payment.

Mr Nixon . This pitching stone work is a common type of work ?

Mr. P. R. Rau : Yes.

Mr. Nixon . You want to give your Engineers a lead if they are wrong on this occasion ?

Mr. P. R. Rau : I think all we can do is to tell the administration that in all these doubtful cases they should take legal advice.

Mr. Nixon : In the present case the cost of recovering from the contractor may be more than 11,000 ; but what we want to ask legal opinion for is whether this should ever have been paid and then it will be useful to people in the future . the question of recovery is not important.

Chairman . The legal adviser may refuse to advise on what is not a real issue.

Mr. Badenoch : I think we should be satisfied if we get a clear ruling on this case that the payment was incorrectly made and that ruling is circulated to all the railways.

99 *Chairman* : Is the Railway Board prepared to give its own view ?

Mr. P. R. Rau : My personal view is in agreement with audit ; but without taking legal advice it is impossible for us to say whether the contractor was entitled to this sum or not

Mr. Badenoch : If it is an ordinary type of case and if a clear and useful ruling is given, it would be useful to communicate it all round.

Mr. Nixon . Otherwise there is no point in my having discovered this.

Chairman : Let us ask the Railway Board to take legal advice in this case as to whether in the Solicitor's opinion, had he been consulted at the proper time, he would have been able to advise us that the amount should not have been paid under the contract

Paragraphs 139 and 140

Mr. P. R. Rau : No comments.

Paragraph 141

Mr. P. R. Rau We have sent a memorandum on that.

100. *Mr. K. P. Thampan* In such large contracts would it not be advisable to ask the bigger officials to go and check ?

Mr. Nixon : They have to do it without being asked : in some manner or other in this case it was not done The Railway Board might be asked to bring these ballasting cases fairly prominently to the notice of other railways at the same time, because there has been a lot of carelessness in the handling of ballast.

Mr. P. R. Rau . There are already instructions about them, but we will remind Railway Administrations about this.

101. *Mr. Ramsay Scott* : What are the new rules for seeing that you get respectable contractors ?

Mr. P. R. Rau : This is a matter for the authority selecting the contractors ; we have brought this to the notice of the Bengal Nagpur Railway and hope they will be more careful in the future

102. *Mr. Anwar-ul-Azim* : To safeguard against losses of this kind, can the Railway Board not think of raising their percentage of deposits in the case of big contracts ?

Mr. P. R. Rau : I think the general practice is to keep back a certain percentage from bills presented, and that is the deposit insisted on ; but if there is serious overpayment, if an amount is paid twice over, keeping back 10 per cent. would not help us much.

Chairman : The last responsibility must be on the measuring staff and the question of supervision of that staff is the important point ?

Mr. P. R. Rau : Yes.

Paragraphs 169 and 172.

103. *Mr. Anwar-ul-Azim* : Is this checking done by a responsible officer or it forms part of the routine work of the office ?

Mr. P. R. Rau : The Controller of Stores is responsible for it. Paragraph 87 of the Financial Commissioner's Review. No remarks.

164 *Mr. S. C. Mitra* With regard to paragraph 169 of Mr. Nixon's Report, we see even from the year 1926-27 the percentage of closing balance to issues is 34, and it seems the percentage has been increasing all along as we see it for the year 1931-32 ?

Mr. P. R. Rau As a matter of fact, we consider that 40 per cent. is a reasonable figure taking all stores into consideration. Until 1928-29 we were having a large number of constructions, and the surplus or balances were used more rapidly than ordinarily. The real point is we do not purchase too much.

Chairman : I think we might record the finding to the effect that the position is satisfactory.

Paragraphs 173 and 181

105 *Chairman* : Paragraph 173. Even if one recognises the position as unsatisfactory, it is very difficult to rectify the thing. We might add a further comment that practical circumstances make it difficult to put it right quickly. I hope it will be put right as soon as possible. I think we might ask for a Report about it.

Mr. P. R. Rau : There was a great confusion in the organization of the stores department of the East Indian Railway up to 1928-29, and since then we have been trying to set matters right.

106 *Chairman* : Paragraph 181. It also refers to the East Indian Railway. The last sub-paragraph had been accepted by the Administration but it was not accepted by the Railway Board. I don't know whether you have any comments to make on that.

Mr. P. R. Rau : As regards this, we are endeavouring to have the whole of the workshop accounts system overhauled by placing a Mechanical Engineer and an accounts officer on special duty for 3 or 4 months this winter, and that is one of the things that the Pope Committee recommended.

As regards the delay in the re-organization of the workshop accounts, I think Mr. Deane will be able to explain the position to the Committee.

Mr. Deane : The completion of the re-organization of the Stores Department synchronised with the period of depression that passed over the railways in 1931-32, which necessitated the carrying out of drastic retrenchments in the Railway Department as a whole as well as in the Accounts Department. The work of overhauling the workshop accounts had therefore inevitably to be postponed. The question was again taken up in November last year, and the workshop accounts officer, Jamalpur, was requested to formulate a scheme on the basis of the Parel system of accounts. In view, however, of the considerable addition to staff which his proposals involved, and which covered only a portion of the ground, he was requested to introduce as much of his recommendations as could possibly be carried out without extra staff. Proposals have also been received in this connection from the Production Engineer, Jamalpur, which are now under examination. The Chief Accounts Officer has proposed that an officer should be placed on special duty to re-organize the workshop accounts on that Railway. This question is now under

consideration along with the general question of the re-organisation of the workshop accounts on all State-managed Railways in connection with Mr. Pope's Report.

Mr. Nixon : I think that to make retrenchments stand in the way of overhauling the stores accounts of important railways is false economy.

Mr. Ramsay Scott : I feel that the Railways ought to employ a very well qualified man to hold charge of the important position of Storekeeper. He should have a good knowledge of stores and stocks and also of engineering. Generally, the Railways consider that any man is qualified to hold this post of storekeeper as the storekeeper's job is looked down upon because they put anybody they like, whether the man is qualified or not. I think they ought to select the best man possible and pay him well too.

Chairman : I think we might record the fact that the measures taken to employ suitable men are satisfactory.

107. *Mr. S. C. Mitra* : Can we hope to have some sort of report next year about the overhauling of the railway workshop account ...?

Mr. P. R. Rau : As I said just now, we are placing a Mechanical Engineer and an accounts officer on special duty this winter to go into the whole question.

Mr. S. C. Mitra : So the next Public Accounts Committee can expect to see some kind of report, is it not ?

Mr. P. R. Rau : I hope so

Paragraph 175

108. *Mr. Nixon* : May I draw attention to the second sentence of paragraph 175 of my Report. May I know why on some railways there has been so much writing down and not on others, though the same conditions apply to most of them ?

Mr. P. R. Rau : We have addressed these railways about the matter.

Chairman : We would like to know what are the facts regarding the writing down of stocks and, if adequate action has not been taken, the reasons why. We should record this in our proceedings.

Paragraph 177.

Mr. Nixon : This paragraph was sent to the Administration in January of this year, and it has not been accepted. I thought the paragraph was of such importance that I took the risk of publishing it, even though it was not accepted. I was down in Bombay about a month ago. They had done nothing to prove that the paragraph was wrong or to get it altered. However, I did discuss the matter in some detail with the Agent, and I would suggest that the Administration should now put it in form after having received the comments of the Railway Administration.

Chairman : I think that suggestion is a practical one and will be acceptable to the Committee. We might put it in the pending list.

Mr. Badenoch : There is definitely a tendency on the part of the Railway Administration to hold up things.

Mr. P. R. Rau If the Director of Railway Audit brings to the notice of the Railway Board any such instance of abnormal delay, we will certainly deal with it, but I would deprecate hasty action on his part to bring it to notice in his report without giving us a chance of taking it up with the administration. We have written in this case to the Bombay Baroda and Central India Railway authorities, but we cannot give an *ex parte* decision as apparently the Director wants us to do.

Chairman : The public Accounts Committee cannot agree to this procedure in the absence of adequate explanation.

Mr. Ramsay Scott . Might I suggest that if there is no reply within 3 months, it should be put up before the Railway Board, and if there is no reply after another 3 months, it must be taken as admitted.

Chairman . I think we should not lay down any precise details. I think we should leave the details to the Auditor General. We want to put this forward as a general suggestion, and I am sure the Committee will agree it ought to be followed up.

Mr. P. R. Rau . We have already told the Railway Administrations to deal with those audit objections very expeditiously.

109 *Mr. Anwar-ul-Aziz* . I would like to know what the Railway Board have to say with regard to the blind certificate.

Mr. Nixon . The Railway Administrations' view is that a certificate can be signed conscientiously, and that is the real point at issue between us. The Director of Railway Audit suggested that if the method of re-valuation continues as it is or there is no method of re-valuation, he should not be asked to sign that certificate.

Mr. P. R. Rau . Have you any alternative ? We should be very glad to consider it, as it is a very important point.

Mr. Nixon : I should not be prepared to recommend a change in the certificate until I was satisfied that a certificate of that kind could not be signed.

Chairman . All I would say is that the Director of Railway Audit will represent the point of view as strongly as we could.

Page 92—Sub-paragraph—(d)—Defalcations.

Mr. P. R. Rau . I got the report of the Chief Accounts Officer and of the Controller of Railway Accounts only a few days ago, and the report is a very big one, and so it has not been possible for me to look into it yet. I shall be able to have a memorandum on the subject ready before the next meeting of the Committee. The delay was due to the Accounts Officer thinking that disciplinary action should be postponed till the police investigation and magisterial inquiry had been completed, but we have told him and the railways in general that departmental inquiries can proceed side by side.

Paragraphs 239 and 246.—Miscellaneous Matters.

110. *Chairman* : Have you anything to say with regard to paragraph 242 ?

Mr. P. R. Rau : The facts are fully stated by the Director. We have again drawn the attention of the Railway Administrations

111. *Chairman* . Is it possible for you to devise any machinery by which long outstanding cases of this sort are brought to the notice of the Railway Board after a period of a good deal less than 20 years ?

Mr. P. R. Rau . The Railway Board have been writing to them pretty often. In 1929 the Railway Board first took action. I do not know what happened between 1912 and 1929. Something must have happened.

112. *Chairman* . Supposing a point has arisen in 1933, have you any guarantee that you will know something about it in 1955 ?

Mr. P. R. Rau . We have no independent means of knowing anything, but audit looks into these cases.

Mr. Badenoch . Audit examines the cases on Railways, but it will be perfectly easy for the Railway Board to obtain a report about agreements which are outstanding.

Mr. P. R. Rau . That can be done ; we can ask them to send us an annual report

Chairman . I think we can ask the Railways to send an annual report showing the agreements which are still outstanding

The Committee then adjourned for Lunch till 2 P.M.

Evidence taken at the Fourteenth Meeting of the Public Accounts Committee held on Friday, the 11th August 1933, at 2 P.M.

PRESENT :

The Hon'ble Mr. A. H. LLOYD, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI

Kunwar Hajee ISMAIEL ALIKHAN.

Mr. S. C. MITRA.

Mr. K. P. THAMPAN

Mr. MUHAMMAD ANWAR-UL-AZIM.

Mr. RAMSAY SCOTT.

Dr. R. D. DALAL.

} *Members.*

Mr. A. C. BADENOCH, Auditor General.

Mr. J. C. NIXON, Director of Railway Audit.

The Hon'ble Mr. J. B. TAYLOR, Financial Secretary.

} *Were also present.*

Mr. M. W. BRAYSLAY, Chief Commissioner, Railways.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Director of Finance, Railway Board.

Mr. L. S. DEANE, Controller of Railway Accounts.

} *Witnesses.*

Chairman : Paragraph 11 (f) of Auditor General's letter. Special attention is directed to the analysis of the working of branch lines contained in paragraphs 247 to 254 of the Report and annexure 1.

Mr. Nixon : This is only descriptive. It shows that by working these branch lines we are not making any money over them, and as a matter of fact, we are losing. I should like to point out that it is an acknowledged principle to buy them out as the contracts expire and this seems to me to add to the reasons for the Railway Board pursuing that process.

These are worked lines owned by private companies and worked by Government under contract. We are not getting, at any rate, so far as these figures suggest,—we are not even getting back what it is costing us to work them in some cases, and certainly we are not getting an equivalent where we have guaranteed a return on the capital. I do not know whether these worked lines have fallen in for redemption at any stage in recent years and you have not taken opportunity to buy them.

Mr. P. R. Rau : There was one I remember of which the contract terminated and we increased the ratio of earnings to which we are entitled. That is Ahmedabad Prantaj Railway I think. In many of these cases it is a question of contract and until we are able to buy them we cannot take any action.

113 Chairman : The question is it is now your settled policy to take the opportunity when it does occur of buying them ?

Mr. P. R. Rau : It depends a good deal on the financial conditions at the time. For instance, take the B. N. W. Railway. We have extended the contract by only five years. There is another class of lines—Durbar lines owned by certain States and in most cases the contracts are terminable at a short notice, about a year or thereabouts. But in this case the question is whether it is worth while to terminate the contract or to continue even though at an apparent loss. We have been looking into every one of these lines and we have asked the local Administration, to carefully consider whether it is desirable to give notice of termination of the contract. It is an important question to which we are devoting considerable attention, but there are various points which have not been brought out in the Auditor's Report.

Mr. Badenoch : Most of these belong to the Darbars.

Mr. P. R. Rau : Yes.

Chairman : The point is we cannot take over the Durbar lines, whereas in the case of company lines we can take them over.

111. Chairman : Sub-paragraph (g) of paragraph 11 of Auditor General's letter. This relates to the stores accounts of the East Indian Railway.

Paragraph 275.

115. Mr. Nixon : In regard to the first sub-paragraph of paragraph 275 I suggest that the Committee should not go into details as I should like to have an opportunity of explaining them in the next year's report. The general impression you gain from that paragraph is that the stores accounts have been bad, but in regard to some of the details of the paragraph I want an opportunity of going into it in some more detail than I was able when I wrote this report.

Mr. Deane : The position in the stores accounts is very much better, but this paragraph 275 (i) relates chiefly to one particular transaction of Rs. 8 lakhs and odd. In regard to that I would like to say that the matter is under my personal investigation. I went down to Calcutta to

study the subject and I made a report to the Financial Commissioner which is going to the Auditor General. Until the accounts officer gives an explanation I cannot offer any remarks, which would be *ex parte* and unfair to the officer. The matter requires detailed investigation.

Chairman : It may be carried over to next year. Let us take sub-paragraph (ii).

Mr. Nixon : There is a Railway Board note on that I think. I am prepared to accept the statement of the Railway Board as given in this note in supersession of mine.

Mr. Deane : I should like to say also that the system of quarterly statements is in addition to our monthly reconciliation statements.

(*To Mr. Scott*) : I am satisfied that the current items of stores accounting are correctly done.

Chairman : Sub-paragraph (iii)

Mr. Deane : Steps have been taken to improve matters

Paragraph 276.

Mr. Badenoch : I have not mentioned in my letter that paragraph 276 too is important.

Mr. Nixon : It is for information only at this stage

116. *Chairman* : What was the effect of that on the finance ?

Mr. Nixon : If orders had been passed in the beginning possibly certain men might have been put on reduced rates, but if you do not discover the mistake until 20 months later you have usually to write it off, and very seldom do you bring the pay down to what it ought to have been.

Mr. Deane : The separation of audit and accounts took effect from the 1st April 1930, and in 1931 retrenchment commenced, and the Chief Accounts Officer was very busy effecting retrenchments and other reforms, and of necessity quick action in regard to the settlement of the pay of these clerks was not possible. The matter had however been carefully considered and Mr. Mitra, my predecessor, went down there personally and passed verbal orders, which however were not accepted by the Railway Board in full. My own office, I have to admit, contributed in some measure to the delay, but there were extenuating circumstances for the delay, namely, those retrenchment proposals which had to be given priority.

117. *Chairman* : If there had been more expedition was there any prospect that it would have reduced the pay bill very much ?

Mr. Deane : I do not think the amount written off will be more than a few thousand rupees.

Chairman : Probably there would be a recurring liability for many years to come in the shape of increments.

Mr. Deane : They have the option of remaining under the old rates or coming under the new rates

Mr. Nixon : At any rate, in 134 cases special sanction had to be obtained. If the case had been dealt with earlier, it would have saved some thousands of rupees of recurring expenditure every year.

Mr. P. R. Rau That assumes that special sanction would not have been accorded. I might add that the matter is under my consideration and I am considering whether any disciplinary action should be taken against those who were guilty of delay. At the same time I hope Mr. Nixon will send round instructions to his Chief Auditors that they should bring such cases to the notice of the Financial Commissioner much earlier than 30 months.

Mr. Nixon Mr. Rau must ask his own account; officers to do that.

Mr. P. R. Rau I am not asking you to share the blame or the responsibility. What I want is that in future if audit discovers some of these cases which ought to be put right, instead of wrangling over the matter with local authorities it would be better if they brought them to the notice of the higher authorities as soon as possible.

Mr. Nixon I think we are working towards that.

Chairman There remains the Auditor General's conclusion.

Mr. Ramsay Scott Does Mr. Rau admit it?

Mr. P. R. Rau The term 'slow' is a matter of opinion; it is a question of relativity.

118 *Chairman* Do you agree that it is positively slower on State-managed railways than on Company-managed lines?

Mr. P. R. Rau I suggest that question be taken up when the Chief Commissioner is here.

Chairman We have finished the Auditor General's letter. I shall just ask the Committee in general terms whether there is any point at this stage which has not been covered by the Auditor General or by the examination yesterday of the Financial Commissioner.

Paragraph 259.

Mr. Ramsay Scott Page 102, paragraph 259—I consider this of importance to the general public. I do not think that the case is one which should have been contested from the very beginning.

119 *Chairman* I think the issue really that you put forward is whether the railways are too rigid in fighting claims; of course you suggest that this is a case in which the railway had *prima facie* no case.

Mr. P. R. Rau In this particular case the East Indian Railway say that they acted on legal advice throughout. Their lawyer advised them that they had a good case and that they ought to fight it out. But from the judgment of the High Court it appears that the High Court was of a different opinion. I intend to send a copy of this paragraph to all railways for their guidance.

Chairman Nobody is responsible for what happened 11 years ago, but speaking from the point of view of the attitude of the railways, is it your practice to resist a claim when you think you can resist it on purely technical grounds even if the real merits were against you?

(At this stage Mr. M. W. Brayshaw came in.)

Mr. P. R. Rau That is a difficult matter to decide, because when a claim is made against a railway, though the railway resists it on equitable grounds, it is decided against it on purely technical grounds. And in

most of these cases the railway would I think consult its legal adviser and see whether on technical or other grounds it has got a good case to stand on.

Mr. Ramsay Scott : There was negligence in this case in sending the consignment to the wrong station and I do not see how you can resist the claim when it was shown it was the fault of the railway staff.

Mr. P. R. Rau : The merits of the defence in the case being considered not strong the Agent in the first instance decided to settle the claim out of Court, but subsequently as apparently he could not obtain the other party to agree to a compromise he decided on the ground of 'Absence of Notice' under section 77 of the Railways Act in December 1921 to contest the case on technical grounds. And that was on legal advice.

120. *Mr. S. C. Mitra* : May we take it that it is not the general policy of the railways to resist a claim merely on technical grounds if there is evidence that the man really suffered ?

Mr. P. R. Rau : As a matter of fact, I think most of the railways would consider claims on equitable grounds.

Mr. Brayshay : Yes. They settle whenever they can on equitable grounds.

Chairman : It is necessary that the other man should be reasonable.

Mr. Brayshay : Yes.

Chairman : If both sides are reasonable the case can be settled out of court.

Mr. S. C. Mitra : Special attention may be drawn to the remarks of the High Court.

Chairman : The railway in this case was prepared to meet the other man but the other man was not prepared to meet them.

Mr. S. C. Mitra : I would like to emphasize this. When there is competition between railways and motor buses, the railways must show that they are at least reasonable.

Mr. Brayshay : The majority of cases are settled out of court. It is only a small percentage that go to the court.

Mr. Nixon : May I ask whether the legal adviser is paid for piece-work or paid a standing fee ?

Mr. P. R. Rau : He is a paid servant of the railway.

Demands for Grants.

121. *Chairman* : We are obliged to you, Mr. Brayshay, for coming in to help in this matter of the form of the demands for grants, which we want to discuss with you. This has been dealt with in paragraphs 25 to 29 of the Report of the Director of Railway Audit. I do not quite know how the Committee would like to approach this subject. Could you give us, Mr. Rau, some idea of the present system and the changes you propose ?

Mr. P. R. Rau : Under the present system the Assembly divides the total working expenses of railways under two demands, one administration and the other repairs, maintenance and operation, and under each demand there are a large number of sub-heads. These sub-heads do not correspond to

the heads under which our accounts are kept and if the expenditure is to be controlled by the Railway Administrations on the basis of the sub-heads, they have to re-arrange all the figures in their accounts and make them correspond with the sub-heads and consequently it means not only a great deal of unnecessary labour but it is very difficult for each head of a department to know what is the actual amount granted to him and how his expenditure is progressing against that grant. We have been considering for a long time the desirability of altering this to make the demand correspond to the accounts but till now we have been of the opinion that in view of the constitutional changes that are impending it might not be desirable to make a radical change in the system straightaway. From the point of view of appropriation accounts and of the auditors, I think, the present system must be said to have broken down and if we do not alter the system and bring the demands into correspondence with the accounts, we cannot make any great improvement in the system of appropriation accounts. From that point of view, it is for the Committee to decide first whether for the short time before the new constitution comes in it is worth while to make any change. If a change is to be made, from my point of view the most urgent one is to make the railway the sub-head of the system of grants. We could do it even under the present system. Under the head of administration and repairs and maintenance, we could make the railway a sub-head and carry on or we could make each of the grants the various abstracts and that is the solution which I myself favour and for which I have given reasons in my report. We, that is the Chief Commissioner and myself have discussed this matter with the Agents of the Railways and they are of the opinion that the system that is proposed here would lead to difficulties in their control of expenditure because it will give them fewer powers of reappropriation than they possess at present and from their point of view the ideal arrangement would be for the Assembly to grant one lump sum under various sub-heads to each railway administration. So there is really some difference of opinion as to the best system for the future.

Chairman : Your first point is that you want this change not because of your love of symmetry but because it will lead to improved efficiency of control.

Mr. P. R. Rau : Yes.

122. *Chairman* : The second question is whether the new system will put difficulties in the way of reappropriation ?

Mr. P. R. Rau : The Agents think that there will be no inducement to save under one head and devote the money to an inevitable item of expenditure on another.

123. *Mr. Ramsay Scott* : Is the reappropriation really desirable ? I should think there will be no attempt to save ?

Mr. Bragshaw : The Railway is a business unit. It is quite obvious that if it is going to exceed in one direction it should make every effort to reduce expenditure in another wherever it can and balance itself as a business organisation, but if you limit the reappropriation you limit the inducement to save. In fact it makes the position of the Agent rather difficult. Incidentally, so far as the Railway Board is concerned, the extent to which you limit reappropriation makes it rather awkward for them on their part to deal with it as a business concern.

Mr. Ramsay Scott : Suppose the Agent asks for a larger sum on one head, so that he may spend part of it on another, on which he was sure he was not going to get the grant he would like to have ?

Mr. Brayshaw : I have never known of a case of that sort.

Mr. Ramsay Scott : You would not know ; otherwise you would not give it.

Mr. P. R. Rau : The tendency would be for each administration to keep a margin.

Mr. Badenoch : I do not know about this inducement to save. After all the Agent is to be judged from the general results of his railway. Profit and loss accounts will be prepared.

124. *Mr. Ramsay Scott* : Would the Railway Board reserve to themselves the right of allowing the Agent to reappropriate if he saved under one grant and spent more under another ?

Mr. P. R. Rau : Under the proposed forms, the Railway Board cannot reappropriate. They cannot take away from Abstract A and give it to Abstract B.

125. *Mr. S. C. Mitra* : Is it admitted by the Audit and the Administration that the present system is not really helpful in controlling the expenditure ?

Mr. P. R. Rau : Everybody admits that the present system is not conducive to control of expenditure and everybody agrees that the system that I have proposed is an improvement but some administrations consider that we should proceed in another direction. I think, however, that this point can be met if the Committee agrees to a convention that they will be entitled to set off savings under one demand against excesses in another.

126. *Mr. S. C. Mitra* : Admitting that a change is called for, what have you to say about waiting till the new constitutional changes come into force ? My own view is that we should not wait till the new constitution comes in. We must do what we can to improve the present system and leave to our successors a better system if we can.

Mr. Ramakrishna Reddi : That will also give some time for testing the soundness of the proposed changes.

Mr. Brayshaw : I would like to remark that the change that is proposed will in my opinion rather be to the advantage in co-ordinating the Assembly grants and the method of accounting. It would be possible for a railway administration in controlling its expenditure to know that it is operating directly on a grant of the Assembly. At present the grants of the Assembly have to be changed round and put into another form for the purposes of the control of the railway. I can give an example of that. In controlling the accounts of my own railway—the B., B. and C. I. Railway—the grant for administration is lumped in one sum. That is spread over every department, over each abstract but it is a lump sum so far as the Assembly is concerned. We have to recast the accounts into the form of abstracts. That is what it comes to. If you change the system of presenting the accounts to the Assembly, the Assembly is rather in a difficulty when it comes to examine the accounts. It is looking at it in an entirely different form. It is difficult to compare with the previous year for example.

127. *Chairman* . Presumably they will be presented with the previous year's figures and the actuals of the year before that.

Mr. Brayshaw . It would mean putting your proposals in two forms really.

Mr. P. R. Rau : That would happen during the first year only.

Mr. Badenoch . I think Mr. Mitra's point is a good one. If we are to change the system, the quicker we do it the better. We can hand over a decent system to our successors.

Chairman . I think we can record a formal opinion on this subject—that in order to have an effective control over expenditure, a change is desirable and if a change is desirable, it is desirable to carry it out as soon as possible. I think that clears the ground to a certain extent. I wonder what was the idea behind the present classification.

Mr. P. R. Rau . I am afraid, I do not know why this particular form was decided upon, when the demands were first constructed ?

Mr. Nixon : The President of the Assembly at that time gave the reason. The idea was to give the Assembly a definite subject to talk upon, such as Engineering, and so on. That was the general idea behind it but it was never fitted on to the accounts.

128. *Mr. S. C. Mitra* . According to your suggestion, taking the abstracts of heads and the railways under it, there will be more control of the Railway Board, while if we make the railways the heads then more power goes to the Agents. Is that correct in any way ?

Mr. P. R. Rau : The Agent will have full powers of reappropriation subject to any restrictions which the Railway Board chooses to lay down. It is quite conceivable that the Railway Board may say 'you must not make a reappropriation between Engineering and General Department'.

Mr. Badenoch . The original reason really for framing the demands in the way they are at present is that if you have a grant for a railway, you don't give the Assembly an opportunity for a general discussion regarding a particular activity of all railways.

Mr. S. C. Mitra . If you make the railways, the chief heads, you will find it very difficult to have one kind of control.

Mr. P. R. Rau . I have dealt with this subject in paragraph 117 (Review).

Chairman : The advantage of the system of not making the railway the primary unit is the one put forward by the Auditor General, namely, that it offers a broad class of subjects applicable to all railways.

Mr. S. C. Mitra : In future the Assembly will be permitted only to criticise the general policy.

Mr. Badenoch : It is hardly for me to judge the opportunities for Assembly discussions. From the audit point of view, either system will suit me.

Mr. P. R. Rau : If the Committee would agree to this convention that I have mentioned of judging each railway by its total expenditure, I think that would practically meet all the objections of the railways.

129. *Chairman* . I should like to know if the Finance Secretary has got any views on this subject?

The Hon'ble Mr. J. B. Taylor : Personally I am inclined to favour the making of the railways the primary unit. In the first place, it will avoid

the practical inconvenience or rather it will minimise a large number of supplementary demands and, secondly, the Agent is in concrete fact the man who is responsible for running the railway and it seems desirable that, since you are going to have large units within which reappropriation is possible, the responsibility for such reappropriation should rest with the man who is actually responsible for doing the work rather than the Railway Board.

Mr. Bailenoch : Mr. Taylor has put a very important point, namely, that you should get at the man who is responsible under each grant.

Mr. S. C. Mitra : The difficulty will be that each railway will follow its own course and there will be no uniformity of procedure. A powerful Agent will have his share much more than he deserves and there will be nobody to control him. I think you may be in a hopeless position.

Chairman : You mean to suggest that the Railway Board might be unduly influenced by a strong Agent.

Mr. Ramsay Scott : But the Railway Board are the final factor in deciding the question.

Chairman : Do you think, Mr. Brayshay, that there is a real danger of individual Agents being able to bring such pressure to bear on the Railway Board in the face of all the accounts that they will get the Railway Board to sanction an unfair share of the grant ?

Mr. Brayshay : I do not think in the ordinary way that is possible. The Railway Board have to consider two things in framing the budget. If they consider that the expenditure has been high they may put their estimate of expenditure at a lower figure than the railway does. That is only because they estimate that some improvement will be made in the expenditure. The usual questions of the allotment of funds are the questions of new works but those are generally considered by the Standing Finance Committee and are decided on individual merits.

Mr. Ramsay Scott : You have a sort of yearly figure. You allow a railway to have so many units and engines.

Mr. Brayshay : Statistics are maintained, but conditions vary in different parts of India.

Chairman : It seems to me that from the point of view of preparing your demands it does not really matter very much. You will take the budget of each subject and then you will add them up.

Mr. Nixon : In regard to what Mr. Mitra said, in my opinion the control after the budget is passed will be more effective with the Agent than it can possibly be with the Railway Board.

Chairman : That is the development of Mr. Taylor's point.

Mr. P. R. Rau : The function of the Railway Board will be to fix the budget first.

130. *Mr. S. C. Mitra* : We must look to the whole administration and not only to the accounting side of it. For the whole of India administration must be conducted in such a way that it will be helpful, economical and uniform. If the Agents possess supreme authority, they will get the money all right.

Chairman : They would be getting just as much as is provided for them. The Railway Board has effective control ; it can give them orders

as to what kind of locomotives they should use, etc. Those are administrative functions rather than controlling of accounts and will continue.

Mr. Braysbay : Even sanctions for establishments come up to the Railway Board.

Chairman Agents will have to spend money according to the multifarious instructions laid down for them

131. *Mr. Ramsay Scott* : Does Mr. Braysbay consider that the control of the Railway Board will be no less effective under the new system ?

Mr. Braysbay : I should think that the control under the new system would be very effective for the simple reason that the Railway Board would often be dealing with figures which are in the same form as the figures used on the railways in every-day work.

Mr. P. R. Rau With regard to the question that you just raised as regards the number of supplementary demands and possible savings, I would like to say this : the smaller the number of demands the fewer will be the supplementary demands. Of course, there is not very much in it. I myself think that if the Committee agree to the Convention I have put forward, it would be more suitable than the other. That would satisfy all the railways. My convention is with regard to reappropriations

132. *Chairman* That is the railway point of view. Do you, Mr. Taylor, modify your point of view at all ?

The Hon'ble Mr. J. B. Taylor : Is the proposed system going materially to reduce the present powers of the Agents with regard to reappropriation ?

Mr. P. R. Rau There are only two demands and within these two demands they have got practically unlimited powers of reappropriation. In future there will be 8 demands. But if the Committee agree to the convention, then their expenditure will be taken as a whole and then you will get the advantage of the other system

Mr. Nixon The proposed grants 6 (b) and 6 (c) are in fact on most railways under one officer and I would suggest those two might be made one grant. Instead of having 8 grants perhaps we could boil them down to 4 or 5 grants. We will then get over a part of the objection.

Mr. P. R. Rau : I think the suggestion that I have put forward, namely, that the Committee should agree to the convention that the Agent may be able to set off a saving against excess of another will meet the objection.

Mr. Badenoch : As long as the demands and appropriation accounts are brought into line with the ordinary accounts I am for it. The choice of the horizontal or vertical method does not really matter from my point of view.

The Hon'ble Mr. J. B. Taylor : I do not think there is much difference, but I still have a preference for the Agents who are highly paid officers having as much direct responsibility as possible

Mr. K. P. Thampan : The Assembly will be asked to vote for these 8 items.

Mr. P. R. Rau : Yes. But the Agents will be allowed to reappropriate though not formally.

Mr. Thampan : I think the system is worth giving a trial.

Mr. Anwar-ul-Azim : I should not like to commit myself to this scheme at this stage. You may take it that I am not taking part in this discussion.

133. *Chairman* : May I take it that the other members of the Committee agree to the proposal that Mr. Rau should proceed with the preparation of his next year's budget on these lines ?

(*Members agreed.*)

Mr. P. R. Rau : The only point I would like to mention is that I have not yet taken the orders of the Government.

Chairman : Then we will say subject to the approval of the Government.

Chairman : There were one or two minor points that we kept aside for discussion later on

Mr. P. R. Rau : One point is with regard to paragraph 177. Mr. Brayshaw would like to say something on this point from his personal experience

Chairman : Members will remember that the Director of Railway Audit expressed definitely on the point that he sent the paragraph on the 16th January and did not get the reply in time to put it and we considered that the Railway Board should take some measures to expedite the receipt of these replies

Mr. Brayshaw : Perhaps it would help the Committee if I explained one or two points. The question here is of re-valuation which should be made from time to time of stores. Take the case of B G sleepers. The B. G. sleepers are ordered every year. As these sleepers have to be cut in the forest, orders are placed a year or a year and a half in advance. So when you are placing the order for the next supply, you will just be receiving the allotment ordered in the first instance. So you will have to revalue in your books all the sleepers that were just being received. All sleepers are actually obtained year by year against the particular requirements for the year. They are actually railed to the place where they are going to be used. That is the normal process. If this year's sleepers are obtained at a few annas less than last year's sleepers, then you will have to write down the whole lot by a few annas.

134. *Chairman* : Could your point be met by saying this that the writing down should not be undertaken until the article has been in store for a certain length of time ? There is to be a writing down at some stage.

Mr. Brayshaw : Normally, they will be paid for on delivery

Mr. Ramsay Scott : But they are not put on the stocks until they are received.

Chairman : Simultaneously the value is reduced.

Mr. Badenoch : It is automatic in State Railways.

Mr. Nixon : We are satisfied with what they do on State Railways.

Mr. Badenoch : The general procedure on State Railways is a continuous process by means of which you can bring your stock price of the particular article into line with your last purchase price.

Mr. Brayshaw : The sleepers are actually delivered on the site of the track. It would be abnormal to hold the stock. If we were able to do

so, then the question of the writing down would be the question of the present day valuation. Item 2 is a case where the sleepers were held in stock for a considerable time. This item relates to cast-iron sleepers, which are an old pattern of sleepers. We want them for casual renewals in sidings where the old type of track exists. Now, this cast-iron sleeper has one value as a sleeper and another value as a scrap cast iron, which is a much lower value. So I would hold those sleepers as long as there is a use for them and it will not pay me to sell them as scrap iron because it will be more expensive to buy new ones.

Chairman : I am quite sure that the Committee will have a great satisfaction with this explanation but I do not know whether we are sufficiently clear on the point. When this paragraph was before us we decided that it was a little difficult for us to form any final judgment. There is a good deal more to be done in the matter. A reply has to be received from the Railway Board and the Auditor General has to be given a further opportunity to consider it. For these reasons, we decided this morning to leave this case over. Unless the Committee particularly wish to deal with it at the present stage, we might perhaps leave that point. When Mr. Braysbay began to mention it, I thought that perhaps he was going to say something about the delay.

Mr. Braysbay : I cannot tell you about the delay of this particular case but I can tell you this that the Chief Auditor of the Railways has represented to me frequently the extreme difficulty he has in doing this work because of a very large increase of work from the extended audit. Recently, I have had a post restored in his office because he could not do the work without it. His men were all taken up with numerous references from the extended audit. The audit staff has been increased and the cost of the audit has been increased also.

Chairman : I feel somehow that this Committee will still have to press the point that it is desirable for replies to be received in good time.

Mr. Badenoch : With regard to the point that Mr. Braysbay made about the number of audit objections, it is always the effort of the Director of Railway Audit to cut out the unnecessary objections altogether. In the report I prepared last year there were certain proposals put forward for reducing the amount of inconvenience caused to the Company-managed railways and it is a matter which is always receiving the attention of the Director of Railway Audit.

Mr. Braysbay . I would like to make it clear that I am not objecting to audit. I was only explaining the difficulty.

135. *Mr. S. C. Mitra* . We would like to know from the Chief Commissioner what his general proposals are for making the two ends meet now that the Railway budget is a deficit budget and the earnings cannot be increased ? Has he any definite suggestions ?

Mr. Braysbay : That is rather a tall order. I think you know that year before last the railways did effect a very remarkable saving in their working expenses. I happened to compare our figures with those of the London Midland Scottish sometime ago and I was struck with the extraordinarily good results we had got in reducing our expenditure.

Mr. S. C. Mitra : What do you propose to do to meet the deficit in the railway budget ?

136. *Chairman* : If the Assembly refuses to find taxation to meet this deficit, what are you going to do ?

Mr. Brayshaw : We are now carrying out investigations which were suggested by Mr. Pope, the expert we got out. He went into our expenditure and his opinion was that on major individual items, there was not much scope for great economy but our opportunity lay in the examination of innumerable details and they are nearly all very technical. On each railway we have started a close examination of these different points. Apart from that, there is the question of scales of pay on which there are general proposals for reducing future scales of pay but this will take some years to have effect.

137. *Mr. S. C. Mitra* : May I know if Mr. Pope has given only general directions or concrete suggestions from which we can calculate what may be expected ?

Mr. Brayshaw : What he has recommended is investigation on certain lines. He has indicated the directions in which investigations may be made and in which a saving may be effected. But of course it is quite beyond him to indicate the result of those investigations or what one might get from it.

138. *Mr. S. C. Mitra* : We read in the papers that owing to a short experiment of reducing 3rd class passenger fares in the I. P. there were larger earnings.

Mr. Brayshaw : We are actually at the moment investigating that very closely whether we can get larger earnings by reducing fares.

139. *Mr. Ramakrishna Reddi* : In England, Italy and other countries we find they have reduced fares and they are giving all concessions.

Mr. Brayshaw : A lot is being done where we have got road competition. This is a point which is constantly before us.

Mr. P. R. Rau : Our total earnings this year up-to-date are about 80 lakhs better than last year.

Mr. Brayshaw : Talking about reduction of fares, in one case of a branch line we lost a good deal of traffic through road competition and we reduced our fares and got back our traffic.

140. *Mr. Ramakrishna Reddi* : There you have had to fight against road competition to achieve this result. Why not adopt it as a general policy ?

Mr. Brayshaw : We are examining his proposition.

Chairman : It is a very difficult proposition to what extent you can by reducing rates increase the demand.

Mr. Ramakrishna Reddi : Introduce the concession system ?

Mr. Brayshaw : We are doing it to a certain extent. But there are technical difficulties in the way. We have examined the question as to what will be the effect of decreasing the fares.

Chairman : May I take it that if you are satisfied that this would be the result of reduction in fares, you would at once plump at such reduction and you would not be deterred by any other motive.

Mr. P. R. Rau : Certainly. We are prepared even to gamble on it to a certain extent.

141. *Mr. Anwar-ul-Azim* : Has the reduction of fares on the Kalka Simla line resulted in increased earnings ?

Mr. P. R. Rau : The experiment has been in effect only for a short time and it is too early to say anything.

Mr. Ramakrishna Reddi : You must give proper advertisement.

Mr. P. R. Rau : We are giving it as much publicity as we can.

Chairman : Are these conducted tours paying ?

Mr. P. R. Rau : They are catching on and paying to a certain extent.

142 *Chairman* : Is your propaganda to any extent responsible for the pilgrim tours to celebrated places ?

Mr. P. R. Rau : This has been going on for some years ; there are some people who have specialised in this. Every man who goes back home after a successful experience will induce many more to go.

Mr. Brayshaw : A special train to Ajmer for the purpose of railway employees was run at special fares.

143 *Mr. S. C. Mitra* : On page 31 of the Auditor's Report he quotes the opinion of the Railway Board about 90 lb rails and 75 lb. rails and Mr. Wrench this morning gave a different opinion.

Chairman : His answer was that the hammer blow was actually less with this particular type of engine while the weight bearing will also be less because the weight is more spread out.

Mr. Brayshaw : Normally our main lines are provided with rails of 90 lbs. or more and 75 lbs rail is not good enough to take fast traffic. The X. B. is the lighter type and X. C. is the heavier type.

Mr. P. R. Rau : X. B. type was intended for 75 lb. rails.

Chairman : You do not now take the opinion expressed in the report as the correct view of the statement of the Railway Board as a whole.

Mr. Nixon : I explained to you yesterday that I have not got information. I was quoting the opinion of the Railway Board which seems to think that it was a mistake to put in 75 lb. rails and as part of the cause of the rails disappearing being worn out, these locomotives were a contributory cause. The Railway Board does not accept those views. This paragraph does not express my views so much as those of the local administration.

Mr. P. R. Rau : The Railway Administration originally wanted 90 lbs., but here on examination the Railway Board cut it down to 75 lbs.

Chairman : On this point the Railway Board was of opinion that among other things heavier engines were responsible. But the considered view of the Railway Board now is that it is not.

The position is we have dealt with a very important point, the form of accounts, we have dealt with the whole of the Auditor General's letter, we have been through a great deal of the report of the Director of Audit and there would be opportunity for all members here to note down any other points between now and the next meeting when the Committee will examine the Railway Accounts further.

The Committee adjourned till 11 A.M. on Saturday, the 12th August, 1933.*

*The Fifteenth meeting held on the 12th August 1933 related to accounts other than Railways.

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REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1932-33

Volume I—REPORT

PART II—RAILWAYS



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* First six meetings were held in connection with the Civil, Military and Posts and Telegraphs Appropriation Accounts. At the seventh meeting held on Tuesday, the 3rd July 1934, at 2-30 P. M., the draft Report on the Accounts of 1931-32, Part II (Railways), was adopted by the Committee.

**Composition of the Committee on Public Accounts which met in
1934 (*vide* rule 51 of the Indian Legislative Rules).**

Chairman.

- | | | | |
|--------------------------------|----|----|-----------------|
| 1. The Hon ble Sir JAMES GRIGG | .. | .. | Finance Member. |
|--------------------------------|----|----|-----------------|

Elected Members.

Date of Election.

- | | | | |
|---------------------------------|----|----|--------------------|
| 2. Rao Bahadur M C RAJAH | . | .. | 5th February 1934. |
| 3. Mr. T N RAMAKRISHNA REDDI | .. | .. | 5th February 1934. |
| 4. Mr. J. RAMSAY SCOTT | .. | .. | 5th February 1934. |
| 5. Mr. S. C MITRA | . | .. | 5th February 1934. |
| 6. Mr. K. UPPI SAHEB BAHADUR | .. | .. | 5th February 1934. |
| 7. Kunwer HAJEE ISMAIEL ALIKHAN | .. | .. | 5th February 1934. |
| 8 Mr B. DAS | .. | .. | 5th February 1934. |
| 9. Captain SHER MOHAMMAD KHAN | .. | .. | 5th February 1934. |

Nominated Members.

Date of Nomination.

- | | | | |
|-------------------------------|----|----|---------------------|
| 10. Dr. R. D. DALAL | .. | .. | 15th February 1934. |
| 11. Maulvi Sir MOHAMMAD YAKUB | .. | .. | 15th February 1934. |
| 12. Mr. Md. ANWAR-UL-AZIM | .. | .. | 15th February 1934. |

Report of the Public Accounts Committee on the Accounts of 1932-33.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating.

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end and the actual results :—

				(Lakhs of rupees)		
				Budget.	Revised.	Actuals.
(1) Traffic receipts (less refunds)	..	..	..	89,00	86,50	85,62
(2) Miscellaneous receipts	..	..	..	1,10	1,07	1,03
(3) Working Expenses	.	..	..	62,70	62,85	62,85
(4) Miscellaneous Expenditure	..	.	.	47	47	47
(5) Surplus profits	..	..	..	80	65	65
(6) Interest charges	..	..	..	33,72	32,94	32,91
(7) Surplus (+) or deficit (—)	.	..	..	—7,59	—9,34	—10,23
(8) Contribution to general revenues	..	..	..	..	..	..
(9) Payment to (+) withdrawal from (—) Reserve	..	..	..	..	..	..
(10) Loans from the Depreciation Fund	..	..	..	7,59	9,34	10,23

2. The budget estimate for 1932-33 anticipated a net deficit of Rs. 7,59 lakhs which was increased to 9,34 lakhs in the revised estimate. The actuals proved to be still worse resulting in a deficit of Rs. 10,23 lakhs which was met by a loan from the Depreciation Fund. As in 1931-32, the prescribed contribution to general revenues could not be paid during the year under review. The deterioration as compared with the estimates was due to the continued economic depression, the low level of prices and the decreased spending power of the people. The figures in the above table show that while the receipts varied widely from the original estimates, the total expenditure, excluding interest but including all other expenditure, i.e., ordinary working expenses depreciation, miscellaneous expenditure and surplus profits, was exactly the same in the budget, revised estimate and actuals.

Position as regards control of expenditure.

3. The following table compares the final voted grants with the expenditure against those grants.—

				(Lakhs of rupees)			
			Original grant	Supple- mentary grant.	Final grant	Actual expendi- ture	Excess + Saving —
<i>Expenditure charged to Revenue</i>							
1. Railway Board	..	..	7.75	40	8.15	7.95	—20
2. Inspection	..	..	70	01	71	74	+63
3. Audit	..	..	12.00	24	12.24	12.53	+29
4. Working Expenses, Adminis- tration.			9,97.00	12.50	10,09.50	9,98.08	—11.42
5. Repairs, maintenance and operation			36,76.00	..	36,76.00	36,72.72	—3.28
6. Payment of surplus profits	..		80.00	.	80.00	65.21	—14.79
9. Appropriation to Deprecia- tion Fund			13,25.00	6.00	13,31.00	13,33.16	+2.16
11. Miscellaneous expenditure	.		6.50	..	6.50	3.82	—2.68
14. Strategic lines	..	..	1,85.00	2.69	1,87.69	1,84.95	—2.74
<i>Expenditure charged to Capital and Depreciation Fund.</i>							
7. New construction	..	.	1,00.60	..	1,00.60	55.59	—45.01
8. Open line works	..	..	3,05.50	..	3,05.50	—25.10	—3,30.60
10. Appropriation from Depre- ciation Fund			13,18.79	1,75.37	14,94.16	16,57.64	+1,63.48
15. Strategic lines capital	..		8.00	..	8.00	—22.60	—30.60

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below.—

		(Lakhs of rupees)				
		Original appro- priation.	Supple- mentary appro- priation.	Final appro- priation.	Actual expendi- ture.	Excess + Saving —
<i>Expenditure charged to Revenue.</i>						
1. Railway Board	.. ..	4.25	—13	4.12	4.16	+ 04
2. Inspection	.. ..	2.25	58	2.83	2.78	— 05
3. Audit	.. ..	4.45	40	4.85	4.89	+ 04
4. Working expenses, Adminis- tration.		94.00	8.18	1,02.18	1,01.20	— 08
5. Repairs, Maintenance and Operation.		1.00	40	1.40	1.37	— 03
11. Miscellaneous expenditure	.. ..	8.50	89	9.39	9.51	+ 12
14. Strategic lines	.. ..	4.50	84	5.34	5.48	+ 14
<i>Expenditure charged to Capital.</i>						
7. New construction	.. ..	40	77	1.17	1.19	+ 02
8. Open line works	.. ..	50	73	1.23	1.77	+ 54
15. Strategic lines	.. ..	..	01	01	01	..
Discharge of Debentures	.. ..	..	44.32	44.32	20.52	—23.80
Interest on Debt	.. ..	32,33.43	—72.83	31,60.60	31,56.94	3.66
Interest on Capital, contributed by Companies.		1,38.21	—4.51	1,33.70	1,33.58	—12

5. We give in paragraph 6 below the reasons for the excesses over voted grants Nos. 2, 3, 9 and 10 which require the vote of the Legislative Assembly. There were four excesses in the year under report against one and six in 1931-32 and 1930-31 respectively. The excesses over non-voted appropriations numbered six in 1932-33 against five in 1931-32 and four in 1930-31. The percentage of individual excesses, votable and non-votable, varied from .16 per cent to 1.24 per cent under heads of expenditure charged to Revenue and from 1.99 per cent to 13.52 per cent under heads of expenditure charged to Capital.

As regards savings, they varied from .09 per cent to 382.50 per cent under individual heads, the biggest savings occurring under the revenue grants 4 and 6 and the capital grants 7, 8 and 15. Taking the total railway expenditure both voted and non-voted, there was a saving of 37 lakhs or .38 per cent under expenditure charged to revenue and a saving of 2.66 lakhs or 13.6 per cent under capital expenditure. The position in this respect compares as follows with the last two years —

Expenditure charged to Revenue.

(Excluding appropriations to and from the Reserve Fund)

					(Lakhs of rupees.)		
Year.					Final grant and appropriation.	Savings.	Percentage of column (3) to column (2).
1					2	3	4
1930-31	..	..	..	.	1,05.11	—2.98	2.83
1931-32	..	..	..	..	1,01.38	—4.24	4.18
1932-33	.	..	.	..	97.36	—37	38

Expenditure charged to Capital.

1930-31	.	..	..	.	..	25.71	—1.14	4.39
1931-32	..	..	..	..	..	29.18	—4.95	16.06
1932-33	..	..	..	..	..	19.55	—2.66	13.60

We agree with the Auditor General that as the conditions of the year were abnormal—large departures from the budget programme were necessitated by financial difficulties—and as the demands for grants continued in the year in a form which has been condemned and has been superseded in 1934-35 no definite conclusions can be drawn from the results of the appropriation audit of the year. We are glad to note that in spite of these difficulties the Director of Railway Audit has not reported any important failure.

Excesses over voted grants.

6. The excesses over voted grants which require to be regularised by excess votes of the Legislative Assembly are shown below.—

Demand No.	Final grant	Actual expenditure	Excess.
	Rs	Rs.	Rs
2. Inspection .. .	71,000	74,008	3,008
3. Audit . . .	12,24,000	12,52,340	28,340
9. Appropriation to Depreciation Fund	13,31,00,000	13,33,15,627	2,15,627
10. Appropriation from Depreciation Fund	14,94,16,000	16,57,63,635	1,63,47,635

The excesses under demands Nos. 2 and 3 were mainly due to larger payments of gratuities and leave salaries. The expenditure under Demand No. 9 is not controllable and the excess is very small being less than one-sixth of 1 per cent. It is due to special difficulties met with in framing a proper estimate. The excess under Demand No. 10 was due to the fact that the actual works expenditure debitable to the Depreciation Fund and the temporary loan from the Fund to meet the deficit were more than anticipated.

Reappropriations not made in accordance with prescribed rules.

7. Under rule 52 (2) (ii) of the Indian Legislative Rules we are required to bring to the notice of the Legislative Assembly every reappropriation within a grant which is not in accordance with such rules as may be prescribed by the Finance Department. We give below the cases brought to our notice by the Director of Railway Audit.—

- (1) On the South Indian Railway and the Great Indian Peninsula Railway certain reappropriations were sanctioned from the sub-head "Payment to the Income-tax Department" which required the previous approval of the Railway Board.
- (2) On the same two railways as well as on the Madras and Southern Mahratta Railway reappropriations were sanctioned from the sub-head "Track Renewals" which also required the previous approval of the Railway Board.
- (3) On the South Indian Railway a reappropriation was sanctioned to meet expenditure which had not been sanctioned by the Railway Board.
- (4) The Assam Bengal Railway, the Bengal Nagpur Railway, the Bengal and North-Western Railway, the Burma Railways, the Jodhpur Railway, and the Madras and Southern Mahratta Railway assumed that certain authorisations of expenditure sanctioned by the Railway Board in excess of the allotment were actual additional allotments sanctioned by the Railway Board and made formal reappropriations which were irregular.

Comments on matters arising out of the accounts for 1932-33.

8. *Date of issue of the Financial Commissioner's Review*—In paragraph 12 of the Report on the accounts for 1931-32, the Public Accounts Committee agreed that in view of the difficulties pointed out by the Financial Commissioner it was enough if his Review was ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts. The question has again been raised by the Auditor General in his letter on the Appropriation Accounts (Appendix I) where he says that "to promote materially the convenience and efficiency of the Public Accounts Committee" and in order to avoid overlapping it is absolutely necessary that the report of the Director of Railway Audit should be written only after the Financial Commissioner's Review is available to him. The Financial Commissioner agreed that he would try to give the Review to the Director of Railway Audit by the middle of April from next year.

In this connection the Auditor General raised the question whether the summary of the financial results and the provisional balance sheets of collieries of the succeeding year prepared by the Financial Commissioner for presentation to the Committee might not be discontinued, as they had fulfilled the purpose for which they were originally designed. We accept the Auditor General's proposal, but the Financial Commissioner should, while giving evidence before the Committee, be in a position to give the Committee any information which they might require regarding the results of the subsequent year.

9. *General question of the treatment of the Depreciation Fund*—We were informed that there were two questions involved:

(1) the allocation of expenditure to capital, Depreciation Fund and to revenue, and

(2) the method of calculating the contribution to the Depreciation Fund.

We understand from the Financial Commissioner that no conclusion has yet been arrived at as regards the first question, but as regards the second question, the present method, though theoretically probably justifiable, in practice it cannot be considered as leading to accurate results, and the time utilised for keeping up the registers, etc., appeared to be an absolute waste. Without entering into the question as to whether the present contribution to the Depreciation Fund is adequate or inadequate it has been suggested that the method of calculation should be simplified, and that it should be based, as recommended by the Auditor General two years ago, on the capital at charge of the Railways. We recommend that the proposal should be formally put to the Auditor General in writing as desired by him, and he should be given an opportunity of examining exactly what changes are involved and whether he could accept them, and if he is satisfied with the proposed change, effect should be given to it without further reference to the Public Accounts Committee but a report should be made to them.

10. *Allocation of expenditure on rolling stock on company-managed railways*.—A memorandum (Appendix IV) was circulated to us by the Railway Board, in which it has been explained that a draft convention on the subject was forwarded to all company managed railways in June 1932 and that they were asked to obtain the concurrence of their Board of Directors, but most of the

companies had not yet accepted it. We accept the Auditor General's suggestion that at the next annual meeting of the Agents the Railway Board should try and get as great a measure of agreement as possible, and if they fail, the Agents of company railways should be permitted to make their own proposals as regards allocation which the Government Examiner would examine, and if he thought that the proposed allocation did not satisfy the general conditions laid down by the Railway Board, the matter should be reported to the latter who would determine the question with reference to the contracts with the individual railways.

11. *New Service* —We have carefully examined the two items of doubtful cases of new service mentioned in the memorandum furnished by the Auditor General, viz.,

- (1) construction of a ring bund at Damukdia, and
- (2) regrounding the track of the Delli Jumna Bridge on the North-Western Railway.

We consider that both the items should not be treated as items of new service.

In this connection the Auditor General raised the question whether the practice of furnishing the Committee with a memorandum of doubtful cases of new service, which was initiated in order to build up a certain amount of case law, need not be discontinued. He informed us that all his principal Auditors throughout India had most meticulous instructions as to how to identify cases of new service and if the accounts of any year included items of new service, which were undertaken without obtaining a specific vote from the legislature, such items would in the ordinary course be included in the Audit Report. In the circumstances, we agree to the discontinuance of a separate memorandum on the subject.

12. We append to our report minutes of the proceedings, which we consider should be treated as part of the report. We assume that, in accordance with the established practice, action will be taken by the department as necessary on the observations and recommendations contained in these proceedings.

P. J. GRIGG.
 M. C. RAJAH.
 T. N. RAMAKRISHNA REDDI.
 S. C. MITRA.
 K. UPPI.
 ISMAIEL ALIKHAN.
 B. DAS.
 SHER MOHD. KHAN.
 R. D. DALAL.

K. SANJIVA ROW,

(Secretary).

Dated the 20th August, 1934.

PROCEEDINGS OF THE COMMITTEE.

Proceedings of the Eighth Meeting of the Public Accounts Committee held on
Wednesday, the 4th July 1934, at 11 A.M.

PRESENT.

The Hon'ble SIR JAMES GRIGG, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI
Mr. K. UPPU SAHEB Bahadur.
Kunwer HAJEE ISMAEL ALIKHAN
Mr. B. DAS
Maulvi Sir MOHAMMAD YAKUB
Dr. R. D. DALAL.

} *Members.*

Sir ERNEST BURDON, Auditor General.
The Hon'ble Sir ALAN PARSONS, Finance Secretary
Mr. T. K. RAJAGOPALAN, Director of Railway
Audit.

} *Were also present.*

Mr. P. R. RAU, Financial Commissioner, Railways
Mr. T. S. SANKARA AYYAR, Director of Finance,
Railway Board.
Mr. B. N. MITRA, Controller of Railway Accounts.

} *Witnesses.*

1 The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Railway Department.

2. *Date of issue of Financial Commissioner's Review.*—The question of the date of issue of the Review by the Financial Commissioner was considered by the Committee last year when in view of the difficulties explained by the Financial Commissioner, the Committee agreed that it would be enough if the Review was ready in time for consideration by the Auditor General before he wrote his letter on the Appropriation Accounts. The question was again raised by the Auditor General this year and for the reasons given by him in paragraphs 3 and 4 of his letter (*Appendix I*) he considers that it is absolutely necessary that the Report of the Director of Railway Audit should be written only after the Financial Commissioner's Review is available to him. The Financial Commissioner agreed that he would try to give the Review to the Director of Railway Audit by the middle of April from next year. The Committee also agreed to the suggestion of the Auditor General that the summary of the financial results and the provisional balance sheets of colonies of the succeeding year need not in future be prepared by the Financial Commissioner for presentation to the Committee as they have fulfilled the purpose for which they were originally designed, but the Financial Commissioner should, while giving his

¹ The first six Meetings were held in connection with the Appropriation Accounts relating to Civil, Military and Posts and Telegraphs. At the Seventh Meeting held on Tuesday, the 3rd July, at 2.30 P.M., the draft Report on the Accounts of 1931-32, Part II (Railways), was adopted by the Committee.

evidence, be in a position to give the Committee any information which they might require regarding the results of the subsequent year.

3. *Paragraphs 95 and 96 of the Financial Commissioner's Report—Excesses requiring regularisation*—The Committee accepted the explanations for the voted excesses in Grants Nos. 2, 3, 9 and 10 and non-voted excesses in Grants Nos. 1, 7, 8, 11 and 12.

4. *Irregular Re-appropriations*—The Committee went through the irregular re-appropriations mentioned in paragraph 28 of the Report of the Director of Railway Audit and came to the conclusion that none of them was important from the point of view of the Committee.

5. *Paragraph 5 (2) of the Auditor General's letter—General question of the treatment of Depreciation Fund*—The Committee was informed that there were two questions involved (1) the allocation between the Depreciation Fund and capital in the case of renewals and replacements, and (2) the exact method of calculating the contribution to the Depreciation Fund. No conclusion had yet been arrived at as regards the first question, but, as regards the second question, the Financial Commissioner explained that the present method, though theoretically probably justifiable, in practice could not be considered as leading to accurate results and the time utilised for keeping up the registers, etc., appeared to be an absolute waste. Without entering into the question as to whether the present contribution to the Depreciation Fund was adequate or inadequate it was suggested that the method of calculation should be simplified and that it should be based, as recommended by the Auditor General two years ago, on the capital at charge of the Railways. The Auditor General desired that the proposal, which he heard for the first time in the Committee, should be formally put to him in writing and that he should be given an opportunity of examining, in consultation with the Director of Railway Audit and the Controller of Railway Accounts, exactly what changes are going to be involved and whether he could conscientiously accept them as Auditor General. The Committee after considerable discussion agreed that if the Auditor General was satisfied with the proposed change, effect should be given to it without further reference to the Committee, but that a report should be made to them.

6. *Paragraph 5 (3) of the Auditor General's letter—Allocation of expenditure on rolling stock on Company-managed Railways*.—A memorandum (*Appendix IV*) was circulated to the Committee by the Railway Board in which it was explained that a draft convention on the subject was forwarded to all Company-managed Railways in June 1932 and that they were asked to obtain the concurrence of their Board of Directors but most of the Companies had not yet agreed to it. The Auditor General suggested that, at the next annual meeting of the Agents, the Railway Board should try and get as great a measure of agreement as possible and if they failed, the Agents of Company-managed Railways might be permitted to make their own proposals as regards allocation, which the Government Examiner would examine, and, if he thought that the proposed allocation did not satisfy the general conditions laid down by the Railway Board, the matter should be reported to the latter who would determine the question with reference to the contracts of individual Railways.

7. The Committee then adjourned till 2-30 P.M.

Proceedings of the Ninth Meeting of the Public Accounts Committee held on
Wednesday, the 4th July 1934, at 2-30 P.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member. *Chairman.*

Rao Bahadur M. C. RAJAH.

Mr. T. N. RAMAKRISHNA REDDI

Mr. K. UPPI SAHEB Bahadur

Mr. B. DAS.

Captain SHER MOHAMMAD KHAN

Maulvi Sir MOHAMMAD YAKUB.

Dr. R. D. DALAL

} *Members.*

Sir ERNEST BURDON, Auditor General.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. T. K. RAJAGOPALAN, Director of Railway Audit.

} *Were also present.*

Sir GUTHRIE RUSSELL, Chief Commissioner of
Railways.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. T. S. SANKARA AIVAR, Director of Finance,
Railway Board

Mr. B. N. MITRA, Controller of Railway Accounts.

} *Witnesses.*

8. *Paragraph 5 (1) of the Auditor General's letter—Question of productivity of Railway expenditure and the comparison of the financial results actually achieved with those anticipated.*—The Committee was informed that (1) the Railway Board, after discussion with Agents, have instructed them that tests to judge the productivity of capital expenditure should be applied to projects undertaken with the object of increasing earnings or reducing expenditure and that the duty of making these tests could be entrusted, under the general direction of the Agent, to the Accounts Department of the Railway which would work in consultation with other Departments of the Railway, (2) they have asked Railways to lay down definite principles as far as possible regarding the method to be employed in carrying out such tests and also in regard to the form in which schemes should be prepared so that the various items of expenditure thereon could be readily decided as to their productivity and (3) they have also circulated to Railway Administrations certain information in regard to the method adopted on the London Midland and Scottish Railway of testing the results obtained from capital expenditure on new works.

9. *Paragraph 5 (5) of the Auditor General's letter*—The Committee agreed with the Financial Commissioner that the suggestion of the Director of Railway Audit that certain items of capital represented by assets not in use or by no tangible assets should be written off was hardly a practical proposition. The Committee was also of opinion that there was no point in writing off some of the items which had become valueless if simultaneously those assets, which had become more valuable, were not written up.

10. *Paragraph 5 (C) of the Auditor General's letter and paragraph 160 of the Report of the Director of Railway Audit—Apparent delay in the reduction of*

schedule of rates on the Eastern Bengal Railway.—The Chief Commissioner explained that the changing of rates was a very complicated matter and a period of six months did not appear to him to be unreasonably long.

11. *Paragraph 5 (1) of the Auditor General's letter and paragraph 161 of the Report of the Director of Railway Audit—Apparently excessive rates paid for paint work on the Eastern Bengal Railway.*—The Chief Commissioner informed the Committee that no comparison could be made between the two rates as they were for two entirely different kinds of work. It was purely a matter of opinion as to which kind of work was cheaper in the long run.

12. *Paragraph 5 (8) of the Auditor General's letter and paragraph 162 of the Report of the Director of Railway Audit.*—The Committee was informed that in this case there was no modification of the terms of the contract but only in the original tender terms. The original tender documents specified English cement to be supplied by the Railway at a certain price but on a representation from the contractor he was allowed to use Indian cement. It was admitted that the contractor gained by the concession but contended that, even so, the contract as a whole was an advantageous one from the point of view of Government. The position has been fully explained in the memorandum furnished to the Committee by the Railway Board (*Appendix V*).

13. *Paragraph 5 (12) of the Auditor General's letter and paragraph 211 of the Report of Director of Railway Audit.*—The Financial Commissioner agreed to exhibit separately in the Appropriation Accounts figures for ordinary stores, stores for special works and surplus stores, as desired by the Auditor General.

14. *Paragraph 5 (13) of the Auditor General's letter and paragraphs 244 and 250 of the Report of Director of Railway Audit—Overpayments to establishment.*—The Committee was informed that the Railway Board had issued instructions impressing on all Railway Administrations the necessity of taking special care to see that the orders issued from time to time were properly studied and correctly applied by the staff concerned.

15. *New Service.*—The Committee then took up the Memorandum (*Appendix II*) of doubtful cases of "new service" appearing in the accounts for 1932-33, furnished by the Auditor General. After considerable discussion the Committee came to the conclusion that the two items mentioned in the Memorandum, *viz.*, (1) construction of a ring bund at Damukdia and (2) regirdering the track of the Delhi Junna Bridge on the North Western Railway were not items of new service. The Auditor General then raised the question whether the practice of furnishing the Committee with a Memorandum of doubtful cases of new service, which was initiated in order to build up a certain amount of case law, should not be discontinued. He informed the Committee that all his principal Auditors throughout India had most meticulous instructions as to how to identify cases of new service and if the accounts of any year included items of new service, which was undertaken without obtaining a specific vote from the legislature, such items would in the ordinary course be included in the Audit Reports. In the circumstances, the Committee agreed to the discontinuance of a separate memorandum on the subject.

16. The Committee then adjourned till 11 A.M. on Thursday, the 5th July 1934.

**Proceedings of the Tenth Meeting of the Public Accounts Committee held on
Thursday, the 5th July 1934, at 11 A.M**

PRESENT

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Rao Bahadur M. C. RAJAH.
Mr T. N. RAMAKRISHNA REDDI
Mr. K. UPPI SAHEB BAHADUR
Kulwer Haji ISMAEL ALIKILAN.
Mr E. DAS
Captain SHER MOHAMMAD KHAN
Maulvi Sir MOHAMMAD YAKUB
Dr R. D. DALAL.

Members.

Sir ERNEST BURDON, Auditor General.

The Hon'ble Sir ALAN PARSONS, Finance Secretary

Mr T. K. RAJAGOPALAN, Director of Railway Audit

Were also present.

Sir GUTHRIE RUSSELL, Chief Commissioner of
Railways.

Mr. P. R. KAU, Financial Commissioner, Railways.

Mr T. S. SANKARA Aiyar, Director of Finance,
Railway Board.

Mr. B. N. MITRA, Controller of Railway Accounts

Witnesses

17. *Memorandum on the Financial Results of the Bombay Electrification Schemes*—The Committee after considerable discussion came to the conclusion that in view of the present depression no definite conclusions could be drawn but noted that at present the percentage of net savings on the G. I. P. Railway did not cover the interest charges on the net capital outlay, but that in the case of the B. B. and C. I. Railway the net savings were more than the interest charges on the net capital outlay. They desired that the figures in the Memorandum (*Appendix XII to P. A. C.'s Report for 1931-32, Part II*) should be revised every year and placed before the Committee at least for the next two or three years.

18. Mr. Das desired that the statistics at present given in Appendix C to the Summary of the Results of working of Indian Railways for 1933-34, which would be discontinued from next year, should be included in the Financial Commissioner's Review.

19. The Committee then discussed with the Chief Commissioner the Administration of Railways in general and some of the recommendations of the Pope Committee.

20. The Committee agreed to the suggestion of the Finance Secretary that the Appropriation Accounts of individual Railways need not in future be printed and circulated to the members of the Committee.

21. The Committee then adjourned and decided to meet some time during the session of the legislature to consider the draft report of the Military Accounts Committee and the draft report of the Public Accounts Committee.

* The draft Report of the Military Accounts Committee and the Public Accounts Committee were adopted by the latter at its meeting held on Saturday, the 18th August 1934, at 3 P.M.

APPENDICES.

APPENDIX I.

LETTER FROM SIR ERNEST BURDON, K C I E., C.S.I., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. 164-BEP/7-34, DATED THE 15TH JUNE 1934.

SUBJECT :—*Appropriation Accounts of Railways in India for the year 1932-33 and the Report of the Director of Railway Audit thereon.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96-D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Railways in India for the year 1932-33 together with two copies of the Report thereon prepared by the Director of Railway Audit for submission to the Committee on Public Accounts and for necessary action by the Government of India

2. I have the honour also to transmit herewith two copies of the Review of the above Appropriation Accounts prepared by the Financial Commissioner, Railways.

3. *Date of issue of Financial Commissioner's Review.*—In my letter forwarding the Appropriation Accounts of the Railways in India for 1929-30, I expressed the opinion that both the Audit Department and the Public Accounts Committee had at that time inferior facilities for studying the annual Appropriation Accounts on Railways than are afforded in respect of any other set of Appropriation Accounts whether Central or Provincial: and I explained at length the reasons which had led me to this conclusion. The Public Accounts Committee agreed in my views and accepted my suggestions for reform. I regret to observe that attempts to carry out the reform have not yet been successful. Once more the Financial Commissioner's review and analysis of the Appropriation Accounts was received after the Report of the Director of Railway Audit had been written, the latter being produced by the date which has so far been prescribed. The result is that the documents which fall to be studied by the Public Accounts Committee are still not calculated to fulfil the object which was laid down, that is to say, "to promote materially the convenience and the efficiency of the Public Accounts Committee". It will be found that in respect of certain important parts of the subject matter there is overlapping and duplication. I will not, however, enlarge on details. I will merely at this stage emphasise the essential point that the reviews of the Director of Railway Audit and the Financial Commissioner, Railways, must be co-ordinated and that in the nature of things co-ordination is only possible if the review of the Financial Commissioner is prepared first and is taken into consideration by the Director of Railway Audit in preparing his audit report. I am aware that last year the Public Accounts Committee were disposed to accept the representations of the Financial Commissioner in regard to the difficulties which stand in the

way of earlier completion of the Appropriation Accounts. But even if these difficulties are insuperable—and I note in passing that the Financial Adviser, Military Finance, has apparently found means of avoiding similar delay in dealing with the Army Appropriation Accounts—I do not consider that this should be held to end the matter. If no other expedient can be discovered, then in my opinion the date for the production of the Report of the Director of Railway Audit should be postponed in order to meet the essential requirement that the Audit Report should cover both the Appropriation Accounts proper and the Chief Accounting Officer's, that is to say, the Financial Commissioner's, presentation of the accounts.

A further disadvantage from which the Audit Department has suffered this year is that no report of the Public Accounts Committee on the Railway Accounts for 1931-32 has yet been issued.

4. *Results of Appropriation Audit.*—These are dealt with both in the report of the Director of Railway Audit and the review of the Financial Commissioner, and it is in respect of this portion of the subject matter that the most conspicuous overlapping occurs. It will I think be found instructive if the Public Accounts Committee will compare the treatment of this topic in the documents presenting the Army Appropriation Accounts and the Railway Appropriation Accounts respectively for the year under report.

On the other hand I wish to suggest that it will not be profitable for the Public Accounts Committee to devote a great deal of time to consideration of the actual results of the appropriation audit of the year as depicted by the Financial Commissioner and the Director of Railway Audit. My reasons for suggesting this are:—

- (a) The demands for grants continued in the year to be cast in a form which has been condemned and has been superseded in 1934-35 by a form according more closely with the form of the initial accounts in which the expenditure is booked. As has been explained before, control has not been exercised with reference to the grants as constituted hitherto and criticism based on the criterion of the grants is therefore necessarily to a large extent ineffectual.
- (b) The conditions of the year were abnormal; and large departures from the budget programme were necessitated by financial difficulties.
- (c) The Director of Railway Audit has not had occasion to report any important failure or to suggest any important remedial measure.

5. *Financial Administration.*—The following are individual matters relating mainly to the subject of Railway financial administration which appear to me to be of more than ordinary interest and to which the attention of the Public Accounts Committee may be specially directed.

(1) *Paragraph 13 and Annexures A and B of the Financial Commissioner's review and paragraph 47 of the Audit Report.*—Control of working expenses in relation to earnings in respect of State and Company

Railways respectively. Other topics of interest naturally arising out of this are (1) the effects obtained by alterations in rates and fares and (2) the results of Mr. Pope's economy investigations.

(2) *Paragraphs 3 to 8 and last sub-paragraph of paragraph 65 of the Financial Commissioner's Review and paragraphs 100 to 105 of the Audit Report.*—The general question of the treatment of depreciation.

(3) *Paragraph 128 of the Audit Report.*—The apparent delay in deciding upon a convention to regulate the allocation of expenditure on rolling stock on Company-managed railways.

(4) *Paragraphs 131 to 133 of the Audit Report.*—Cases of capital expenditure in which anticipations were not realised and the expenditure proved unproductive. In this connection I note from paragraph 8 of the Report of the Railway Board on Indian Railways for 1932-33 that the Railway Board discussed with Agents the question of the productivity of Railway expenditure and the comparison of the financial results actually achieved with those anticipated. The Public Accounts Committee may wish to have some information regarding the results of this discussion.

(5) *Paragraphs 107 and 108 of the Financial Commissioner's Review and paragraph 144 of the Audit Report.*—The suggestion that certain large items of capital represented by "assets not in use" or by no tangible assets should be written off.

(6) *Paragraph 160 of the Audit Report.*—Apparent delay in the reduction of schedule rates on the Eastern Bengal Railway.

(7) *Paragraph 161 of the Audit Report.*—Apparently excessive rates paid for paint work on the Eastern Bengal Railway.

(8) *Paragraph 162 of the Audit Report.*—Modification of the terms of an important contract.

(9) *Paragraph 165 of the Audit Report.*—An apparently excessive payment of Rs. 45,791.

(10) *Paragraph 178 of the Audit Report.*—Percentage of imported material purchased abroad and purchased in India in the case of Company and State Railways respectively.

(11) *Page 93 of the Appropriation Accounts and paragraphs 190 to 207 of the Audit Report.*—Revaluation of Stores. Incidentally some further explanation seems to be required of the figures recorded in the table at the foot of page 93 of the Appropriation Accounts, e.g., the large amount of Rs. 29½ lakhs written off under "Miscellaneous items" on the East Indian Railway.

(12) *Paragraph 211 of the Audit Report.*—The question of exhibiting separately in the Appropriation Accounts figures for ordinary stores, stores for special works and surplus stores.

(13) *Paragraphs 241 and 250 of the Audit Report.*—Overpayments to establishment.

6. There are of course other questions of interest raised by the Director of Railway Audit in his Report, but many of these can, I think, be more conveniently pursued by myself, at any rate in the first instance in direct departmental discussion with the Railway Department.

APPENDIX II.

Memorandum of doubtful cases of "New Service" appearing in the accounts for 1932-33, furnished by the Auditor General with reference to paragraph 31 of the Report of the Public Accounts Committee on the accounts of 1927-28.

The following doubtful cases of 'New Service' are submitted for the consideration of the Public Accounts Committee.

RAILWAY DEPARTMENT.

(1) *Construction of a Ring Bund at Damukdia*

In June 1932 the Railway Board sanctioned an estimate amounting to Rs. 14.39 lakhs chargeable to Capital for the construction of a Ring Bund and ancillary works for the protection of the Hardinge Bridge at Damukdia on the Eastern Bengal Railway. The amount of the estimate was revised in February 1933 to Rs. 22.33 lakhs. Later on two supplementary works were merged in it raising the total to Rs. 30.15 lakhs. The work was not included in the budget estimate for 1932-33. Funds were provided by the Agent by re-appropriation within the sum allotted to his railway and expenditure of Rs. 12.70 lakhs chargeable to Capital was incurred during the year 1932-33 on this work.

2 On the precedent of the Kadu Lake decision contained in paragraph 30 of the Report of the Public Accounts Committee for 1928-29, the Director of Railway Audit considered that the project was a 'New Instrument of Service' and in a letter dated the 2nd September 1932 he pointed out to the Railway Board that the vote of the Legislative Assembly was necessary for the provision of funds for this work. The Railway Board in a letter dated the 7th June 1933 stated that as the work was necessary for the protection of the Hardinge Bridge and therefore essential from the point of view of public safety, they were of the opinion that it should not be treated as a 'New Service'. It was then pointed out to the Railway Board that the necessity or urgency of the work was not disputed but the work being of the nature of an important addition to a previous work it was in character a New Service or at any rate a New Instrument of Service, and accordingly the expenditure on it required specific authorisation. The Railway Board stated in reply that even if the view taken by them was wrong there was nothing that could be done to put the matter right as the expenditure considered irregular by Director of Railway Audit was incurred in 1932-33 and that the only way to regularise it was by obtaining an excess grant after the appropriation accounts for the year 1932-33 had been examined by the Public Accounts Committee. They also considered the matter to have been regularised to a certain extent because additional funds for this purpose had been provided in the budget estimates for the year 1933-34, with the approval of the Legislative Assembly.

(2) *Regirdering the track of the Delhi Juma Bridge on the North Western Railway.*

An estimate amounting to Rs. 24.32 lakhs for regirdering the track of the Delhi Juma Bridge on the North Western Railway was sanctioned by the Railway Board in July 1928. The sanction involved a charge of Rs. 14.12 lakhs to Capital, Rs. 11.17 lakhs to Depreciation Fund and a credit of Rs. .96 lakh to Revenue. The sanction was in abeyance till the early part of the year 1932-33 when the need for the work became urgent. The work was accordingly started in 1932-33. Although nothing was provided specifically for this work in the sanctioned budget of the year a sum of Rs. 3 lakhs was allotted by the Railway Board in April 1932 from the "Emergency" provisions, Rs. 1.25 lakhs was reappropriated from "track renewals", and Rs. .75 lakh from the provision for other bridge works.

2. The Public Accounts Committee which examined the accounts of 1931-32 considered that the existence of the Emergency provision does not absolve the Railway Board from obtaining a specific vote from the Assembly as required by the statutory rules for expenditure on a ' New Service ' and that while, in cases of real emergency, the provision could be utilised, the matter should be reported to the Assembly as early as possible. The Report containing the views of the Public Accounts Committee on this matter has not yet been finally published nor have the orders of Government of India been passed on it.

3. The regrading of bridges being a common liability on Railways, the item here under discussion is not in character a New Service. Being of an emergent nature, it was permissible on the view which has been held by the Public Accounts Committee to commence work without budget authorisation : but the expenditure being relatively large it was for that reason incumbent on Government--according to the view of the Public Accounts Committee--to bring the facts to the notice of the Legislature at an early opportunity. Actually, as already stated, funds were allotted in April 1932 from the Emergency provision : and the work was mentioned--incidentally--in presenting the budget documents for 1933-34 (*vide* pages 3 and 16 of the Pink Book of the North Western Railway for 1933-34).

APPENDIX III.

Instructions issued to Railway Administrations on the Appropriation Accounts of Railways in India for 1932-33 and the Report thereon of the Director of Railway Audit.

LETTER FROM THE RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS OF THE VARIOUS RAILWAYS, No. 1728-B., DATED THE 27TH JUNE 1934.

I am directed to draw your attention to the Appropriation Accounts of Railways in India for 1932-33 and to the Report of the Director of Railway Audit thereon as well as to the Auditor General's remarks, a copy of which is enclosed for your information.

2 Among the various points that the Director of Railway Audit has brought to notice in his Report, which they have no doubt you have studied carefully, the Board desire to mention a few to which they consider special attention might be profitably directed.

Paragraphs 19 and 52—Misclassifications—The Board regret to notice the increase in 1931-32 and 1932-33 in the number of misclassifications and of instances of failure to make provision for expenditure under the proper head. They trust that special efforts are being made by your administration to effect an improvement.

Paragraphs 51 and 115—Changes in classification—The Railway Board consider it most desirable that the classification of expenditure should be the same in the accounts as in the budget, which is based on the procedure in force at the time and that no changes in classification should be made which will have the effect of booking expenditure under a head other than that contemplated at the time the budget was framed. If any such alteration is considered absolutely essential, the prior sanction of the Railway Board should be obtained before it is given effect to.

Paragraph 60—The Board trust that you will conduct the investigation suggested and, if there are similar cases on your railway, make a report to them.

Paragraph 161—Departure from agreements—Attention is drawn to the revised rules regarding contracts contained in Chapter I of the State Railway Code (Revised) issued recently. The Board trust that arrangements are being made to have a detailed analysis of rates made and maintained, according to the instructions contained in their letter No. 1936-B., dated the 19th April 1934.

Paragraph 176—The Board desire to emphasise that the existing rules in the matter of reporting excesses to the proper authority should be strictly followed.

Paragraphs 183—185—Purchases in excess of requirements—In these paragraphs numerous instances of stores purchased in excess of requirements have been given. It is, no doubt, true that the excess in some cases was due to the curtailment of works rendered necessary on account of financial stringency, but in others it appears that purchases have been made without due regard to immediate and actual requirements. The attention of the Railway Administrations is invited to Railway Board's letter No. 1728-B., dated the 10th November 1932 on the subject (*Appendix XXI to P. A. C.'s Report on the Accounts of 1930-31, Part II*) wherein it was

stated that Controllers of Stores are expected to take every possible step to avoid the unnecessary purchase of stores, that estimates of the stock required should be made on an intelligent basis, having regard to the stock in hand throughout the railway and that steps should be taken to ensure that as accurate and complete information as possible of such stock is in the hands of the stores authorities particularly at the time of preparation of indents.

Paragraphs 231—242—Frauds and misappropriations.—The Board note that there is a decrease in the number as well as the extent of the frauds brought to notice during the year as compared with previous years. It is hoped that Railway Administrations will not relax their efforts to minimise the scope for these frauds by arranging to carry out a systematic programme of local inspections of offices by executive as well as accounts authorities. The importance of these inspections in the prevention of these frauds cannot be too strongly emphasised.

Paragraphs 243—251—The Railway Board note with concern the unusually large number of cases in which over-payments have been made to staff. This may be due to the circumstances referred to by the Director of Railway Audit, viz, the number of new orders issued in establishment matters owing to retrenchment, emergency cut, etc., but the position can hardly be considered satisfactory. The Board desire to impress on Railway Administrations the necessity for taking special care to see that the orders issued from time to time are properly studied and correctly applied by the staff concerned.

APPENDIX IV

Memorandum on the Convention regarding the allocation of expenditure on rolling stock, furnished by the Railway Department (Railway Board) on the 3rd July 1934, with reference to paragraph 17 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1931-32, Part II

The draft convention was forwarded to all Company-managed Railways in June 1932 and they were asked to obtain the concurrence of their Boards of Directors. The most important principles underlying the convention were that—

- (1) no new rolling stock should be charged as an addition to Capital if the actual stock of that class in existence on the line was below the authorised stock, for this purpose stock was to be divided into certain classes.
- (2) renewals must always take precedence of additions, *i.e.*, if there was a renewal overdue in a particular class no additions should be sanctioned in that class until all the renewals had been completed. It was proposed to divide rolling stock into classes for the purpose—and the actual classes were to be a matter for agreement between Government and the Railway Company. The tentative classification proposed as a basis for discussion was as follows :—
 - (1) Locomotives.
 - (2) Carriages—
 - (a) Reserved.
 - (b) Upper class.
 - (c) Lower class.
 - (3) Wagons—
 - (a) General service wagons.
 - (b) Miscellaneous.

2. Most Company-managed Railways have agreed to this on principle, though some desire some modification of the actual classification. One Railway, however, had objection on principle and considered that it was not in consonance with the contract and past practice. In the opinion of the Railway Board, the objections were based on a misunderstanding. The matter is under correspondence.

APPENDIX V.

Memorandum on paragraph 162 of the Report of the Director of Railway Audit for 1932-33 regarding the rate allowed to a contractor in his tender for an item in connection with the construction of the Irrawaddy Bridge on the Burma Railways, furnished by the Railway Department (Railway Board) on the 26th June 1934.

Paragraph 162.—Tenders were called for the construction of the Irrawaddy Bridge in 3 parts :—

Part I.—Construction of sub-structure, supply and erection of girders (*i.e.*, for complete bridge)

Part II.—Supply and erection of girders

Part III.—Supply of girders for Rangoon.

The three lowest tenders received were as follows —

Part I.—*Contractor A* (a British contractor with world-wide reputation).

Price tendered Rs 68,15,380

Contractor B (an Indian Firm of repute)

This contractor tendered for girders of foreign manufacture.

Price tendered Rs. 70,72,945.

Contractor C (an Indian contractor of repute who contracted to supply girders manufactured in India mainly of Indian steel).

Price tendered Rs 71,34,000

Part II—Only one offer was received from Contractor A.

Price tendered Rs. 46,00,000.

Part III.—Two tenders were received :—

Contractor A—Price tendered Rs. 26,00,000.

Contractor C—Price tendered Rs. 30,58,000.

2. The Railway Board after taking into consideration all the features of the case decided to reject all the tenders under Part I, the two lowest of which quoted for girders of foreign manufacture, and to negotiate with Contractors B and C for the erection of the bridge. This was possible, as though no offers had been called for for the sub-structure alone, *i.e.*, the bridge and approaches without the girders, Contractor B, in a covering letter submitted with his tender, had stated that he was prepared to undertake the work at the rates quoted in his tender, which meant a tender of Rs. 22,79,000. Contractor C, the only contractor who had offered to supply girders of Indian manufacture, agreed to undertake the work of supply and erection of girders for the sum of Rs. 39,08,000. By splitting the work in this way the total cost was estimated at—

	Rs.
Sub-structure	22,79,000
Supply of girders and erection .. .	39,08,000
Total ..	<u>61,87,000</u>

The only other combination, which might conceivably have resulted in a lower cost, though this is doubtful, would have been taking the girders from Contractor A and erecting these departmentally. But apart from the doubt whether this would have been cheaper it would have entailed the placing of the order for the girders out of India, and the Railway Board did not feel justified in doing this. It will thus be seen that the result of this arrangement was that the work was not only retained in India but the estimated cost was more than Rs. 6½ lakhs below the lowest tender for the complete work—a very favourable price indeed.

3. During the discussion of the final details of the contract with Contractors B and C, Contractor B raised the question of being allowed to supply his own cement in place of the cement being supplied by the Railway. Under the original conditions of tender it was laid down that English cement would be supplied by the Railway and the contractor charged at the rate of Rs. 15 per cask. The reason that the Burma Railways specified that English cement should be used was that owing to its being packed in casks it was less liable to deterioration in the damp climate of Burma than Indian cement which is packed in bags. The Burma Railways had till then no experience of cement in this type of packing. The Railway Board realised that if Contractor B were able to use Indian cement without excessive wastage, this would be of a considerable monetary advantage to him, but the contractor had to take the risk of deterioration. In this there were definite advantages to the Railway. So far as the quality was concerned Indian cement was as good as English. In these circumstances, as the price tendered for the sub-structure as a whole, including cement, was very reasonable and would enable the Railway Board to let the contract for the bridge as a whole at a price lower by about Rs. 6½ lakhs than could be obtained in any other way, the Railway Board did not consider that the single item for cement should be questioned, specially as the use of Indian cement in place of foreign was, on general grounds, desirable.

4. The Railway Board do not accept the comparative prices of Rs. 15 and Rs. 8-1-0 per cask for English and Indian cement. At the time the contract was let the basic difference in price between English and Indian cement in Rangoon was Rs. 15 per ton. Even if it is assumed that the wastage of English and Indian cement is the same, the maximum financial advantage the contractor would have gained was Rs. 75,000 on about 5,000 tons cement, i.e., 3.3 per cent. on his total contract, for using Indian material. During the period of the contract in 1931-32 a standard price of Rs. 43-8-0 per ton was fixed by the Cement Marketing Board for cement in Rangoon, which gave a further advantage to the contractor, which could not be foreseen. The price was again raised to Rs. 45 per ton in 1933-34. The contractor has himself stated that the actual monetary advantage to him was Rs. 40,000.

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REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

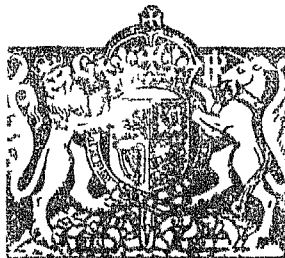
ACCOUNTS OF 1932-33

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Volume II—Evidence

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Part II--Railways.



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¹ The first six meetings were held in connection with Civil, Military and Posts and Telegraphs Appropriation Accounts. At the seventh meeting the draft Report on the Railway Appropriation Accounts for 1931-32 was adopted.

**Evidence taken at the Eighth* Meeting of the Public Accounts Committee held on
Wednesday, the 4th July 1934, at 11 A.M.**

PRESIDENT

The Hon'ble Sir JAMES GRIGG, Finance Member *Chairman*

Mr. T. N. RAMAKRISHNA REDDI

Mr. K. UPPI SAHEB Bahadur

KUMWER HAJEM ISMAEL ALIKHAN

Mr. B. DAS

Maulvi Sir MOHAMMAD YAKUB.

Dr. R. D. DALAL.

Sir ERNEST BURDON Auditor General

The Hon'ble Sir ALAN PEARSON Finance Secretary

Mr. T. K. RAMAGOPALAN Director of Railway Audit.

Mr. P. R. RAU, Financial Commissioner Railways

Mr. T. S. SANKARA AYYAR Director of Finance, Railway Board

Mr. B. N. MITRA, Controller of Railway Accounts

Members

Were also present.

Witnesses.

[The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Railway Department]

Auditor General's letter

Chairman The first thing that we wish to discuss with Mr. Rau is the point raised in paragraph 3 and 4 of the Auditor General's letter (Appendix D). I think it would not be unfair to say that the Auditor General is quite determined that the Report of the Director of Railway Audit should not be written without having in front of him the Financial Commissioner's Review.

Sir Ernest Burdon That is my definite attitude.

Chairman Therefore, the question is whether the Financial Commissioner's Review can be finished possibly at a somewhat earlier date than the usual. Nobody wishes to minimise the difficulties under which the Financial Commissioner is labouring. In the first place, there is a certain unreality from his point of view and from the Railway Board's point of view about the whole system of Appropriation Accounts. They really come to nothing which can be fitted on to the actual day-to-day administration of the Railways. They are of no value from the point of view of the financial control in the Railways. They are necessary from the point of view of the Assembly. The second point is that the Financial Commissioner is a member of the Assembly and as such he has certain duties to perform there. The third point is that he is required to produce certain documents relating to the following year which are only of a provisional nature and they make a further encroachment upon his time. I

* The first six meetings were held in connection with Civil, Military and Postal and Telegraphs Appropriation Accounts. At the seventh meeting the draft Report on the Railway Appropriation Accounts for 1931-32 was adopted.

think the Financial Commissioner will see that we are not in the least unmindful of his difficulties and with that preliminary statement we would like to ask him what is the earliest time by which he can produce his Review. I think the Director of Railway Audit says that if he gets it by the 15th of April he is comfortably well off, and if he can get it by the end of April he can see it through. The Review for 1933-34 merely duplicates your Memorandum on the budget and the Railway Member's Budget statement. Now, Mr. Das would be rather sad to see this go. But if I am not doing injustice to him he would be prepared to see them go if it were made clear to him that they have fulfilled the purpose for which they were originally designed. Perhaps Mr. Rau would not mind making a general statement on the subject

Mr. P. R. Rau : I look upon this merely as a question of practical difficulties. I have no desire to object to the views of the Auditor General that as a matter of principle the Financial Commissioner's Review should be prior in time to the Director of Railway Audit's Report. I understand from the Controller of Railway Accounts that he can give me the completed accounts about the 1st of March. Now, till the end of February I am busy with the Railway Budget and by the time the Railway Budget is finished there is always a lot of important work which takes at least a week to finish. Then we have got the discussions with the Agents about the rolling stock programme which from my point of view is a much more important matter than the *post-mortem* summary of the accounts which is written 12 or 18 months later. That is all finished by the end of March. So, I can begin the writing of my Review only at the beginning of April. So, from my point of view, instead of asking me what is the earliest date by which I can do it, I would rather you could tell me what is the latest date by which I should do it so as to make it convenient for the Public Accounts Committee and for the Auditor General.

Chairman : I wanted to make that point clear. The latest date is the end of April and the latest convenient date is the middle of April.

Mr. P. R. Rau : I had hoped that it would be the 15th of May. The relief to me by abolishing the Summary is not very much because I can begin it only after my figures for the year are complete and that is long after this Review is finished.

2. *Chairman* : What about the provisional accounts of Collieries ?

Mr. P. R. Rau : That is prepared by the Controller of Railway Accounts.

Sir Ernest Burdon : You do not deal with that document ?

Mr. P. R. Rau : No.

Sir Ernest Burdon : That decreases its validity still further.

Mr. P. R. Rau : The summary of these colliery accounts, as it is prepared now, is not of much importance because we have not got the audited accounts yet. We have got the approximate figures instead of the revised estimates.

Chairman : I gather that the whole of the information given in this pink book (*Summary of the results of working of Indian Railways*), even if the document were not printed and circulated, would be at your disposal and could be furnished in answer to questions in the Committee if members so desired.

Mr. P. R. Rau. The results of 1933-34 I could give you in one page. Apart from this thing, there is a lot of work involved as each railway has to prepare a special report for the Public Accounts Committee, they have also to prepare a report for the Railway Board sometime later. It is only a duplication of work which can be avoided if the Committee does not want these reports.

3 *The Hon'ble Sir Alan Parsons.* I want to ask you a few questions about the time by which you can get what I should like to describe as your proper review. I fully agree with you that for practical working of the Railways you have got to devote your time fairly quickly after the Budget is over. You have to study the rolling-stock programme about the 1st of March in order that you may have discussion with Agents about the 25th of March. That is an extremely important business and I do not myself think from my experience that you can alter the time which you have fixed for the discussion with the Agents. But with regard to the Review, assuming that you get the Appropriation Accounts by the 1st of March which would mean the putting of pressure on the Controller of Accounts, you have got your Director of Finance who is not in the Assembly and to whom the Appropriation Accounts could be sent before the 1st of March and he would be able to begin drafting a good deal of that Review, who is not as much engaged as you are, pending your being set free from the Assembly. It is not necessary in my opinion, therefore, for the Financial Commissioner to prepare it himself altogether.

Mr. P. R. Rau. For the last three years I have been writing the report myself and if I can be relieved of the complete writing of the report, it will be a relief to me.

The Hon'ble Sir Alan Parsons. Most of the rolling stock work is not done actually in the Finance Branch of the Railway Board but it is done in your Mechanical Engineering Branch. Therefore, that work does not fall on the Director of Finance and he would surely be able to do the drafting during this period from the 1st March for you. You might afterwards put it in any form you liked but you will have the report ready before you. In that case you might be able to produce the report by the 15th April.

Mr. P. R. Rau. I took up the drafting this year on the 23rd April and the final report was sent to the press on the 31st May. Even after that I had to make one or two corrections in the report. It is not merely the writing of it but it is the checking of the figures over and over again.

Chairman: You do not do it yourself?

Mr. P. R. Rau. I have to send it to the Controller of Railway Accounts. About a month would be ample. I think I could try to do it by the 30th April, but if the Committee could give me a few days more it would be better. What I can do is to ask the Controller of Railway Accounts to summarise the Appropriation Accounts in the same form as in the present Review and let me have it by the 15th March or the end of March.

4. *Chairman:* Supposing you are relieved of all this work, how much time will you take?

Mr. B. N. Mitra : It is taken up afterwards. The accounts for the last year have not yet been closed. We get approximate figures and therefore it will not interfere with the furnishing of the figures to the Financial Commissioner.

5. The Hon'ble Sir Alan Parsons : Do you wait till you have completed the whole of the Appropriation Accounts under all grants before sending the figures to the Railway Board's office? Is it not possible to advance the date on which you get the Appropriation Accounts or at any rate individual accounts from the Controller of Railway Accounts?

Mr. B. N. Mitra : I hardly think so.

Mr. P. R. Rau : We could get some of the minor grants.

Sir Ernest Burdon : Is it really necessary because of the circumstances of the Railway Board that the preparation of this Review and the analysis of the Appropriation Accounts cannot be taken up until April of the following year? As I mentioned to the Committee yesterday, Mr. Macleod told me the other day that he is already starting the writing of his analysis of the results of appropriation audit for the year that has just closed in the case of the Army Accounts, whereas Mr. Rau will not begin his until next April.

The Hon'ble Sir Alan Parsons : Could you do it by working on provisional or approximate figures earlier because generally the alterations are not very material?

Sir Ernest Burdon : My point is that there may be a definite difference of fact as between the conditions in the Military Finance Branch and in the Financial Commissioner's branch. It seems to me that probably the difference consists in this that the Railway Account is an account which is made up of a large number of individual railway accounts, whereas on the Army side there is single account from the beginning.

Mr. P. R. Rau : I do not think we get even the first draft of the Appropriation Accounts from the Controller of Railway Accounts till the middle of January.

Mr. B. N. Mitra : The first draft is prepared early in December and then it is checked by the Director of Railway Audit.

Chairman : Could you work on the first draft? The checking is not likely to result in any material alteration of figures.

Mr. P. R. Rau : January is a bad month for me.

Chairman : As a rule, November is an easy month.

Mr. P. R. Rau : November and December will not be difficult months for me.

6. The Hon'ble Sir Alan Parsons : If, for instance, the Controller of Railway Accounts sends you a draft at the beginning of December when he send one to the Director of Railway Audit, you could work on that and begin to get your first draft ready.

Mr. B. N. Mitra : There may be some large differences. Even then the total of a particular grant would be unaffected.

The Hon'ble Sir Alan Parsons : But it would not really affect any general comments, which the Financial Commissioner may wish to bring to the notice of the Public Accounts Committee in his review of the operations of the year ?

Mr. P. R. Rau : If the Public Accounts Committee does not take it up till the following July, I may as well work on the completed accounts.

Chairman : The whole Audit Report has got to be done in the light of your Review.

Mr. P. R. Rau : It is only one chapter of the report with which I am concerned, because I do not deal with irregularities at all.

Sir Ernest Burdon : There are other topics, which in accordance with the general principles now followed in regard to the preparation of Appropriation Accounts, should be dealt with by you like Stores accounts, in your portion of the work and not that of the Director of Railway Audit. You will remember that two years ago we came to a general conclusion that there ought to be a definite distribution of topics as between your report and the report of the Director of Railway Audit. We must do that now in order to avoid the overlapping, which is so conspicuous in these documents.

Mr. P. R. Rau : I can try to work on the first draft and see how we can get along with that.

7. *Sir Ernest Burdon :* It seems to me that if you do not begin the work actually of the examination of the accounts with reference to your analysis and your review at an earlier stage, then the position becomes very difficult. I suppose you would say that that cannot be done in the case of the Railway accounts, because you do not control expenditure through the Appropriation Accounts but otherwise. Still I imagine that there must be some means by which you can exercise some control with reference to appropriation.

Mr. P. R. Rau : Our control of expenditure is more from the monthly account figures. The annual review is only a *post mortem* examination and it is not of very much value from the point of view of the control of expenditure.

Chairman : It is prescribed by the Statute and it is very important from the point of view of the Legislature to ensure regularity of financial administration. As you know, *post-mortems* are of value in murder cases too.

Mr. P. R. Rau : They are of great value. We can derive a number of lessons from them.

Chairman : It is regularity first and efficiency second.

Mr. P. R. Rau : It is from that point of view that I would urge the Committee not to hurry me but to let me examine them with more care and in greater detail.

The Hon'ble Sir Alan Parsons : If you started on the draft Appropriation Accounts, made available by the Controller in the beginning of December, and if you delegated a portion of your draft to your Director of Finance, then, I think, you ought to be able to get it through by the 15th of April.

Mr. P. R. Rau : I have never thought of starting in December, but I will try it this year.

Sir Ernest Burdon : You would find it easier now because of the fact that your grant heads and account heads will be more in conformity in the future.

Chairman : It seems to me that the Committee will agree generally that a start can be made on the provisional accounts.

8. *Mr. B. Das* : We are discussing two points. The first point is whether the Financial Commissioner can produce his Review earlier, and the second point is whether the Committee would absolve the Railway Board from producing the provisional balance sheets and reports from Agents and from the Railway Board. I should like to take this opportunity to acknowledge the great industry and application which the Financial Commissioner has shown in producing this Review. It is the best of the three reports that I have read, and speaking as a layman, I can certify that it satisfies the requirements of the Public Accounts Committee. Our guide in these matters is the Auditor-General because we are always guided by him. Three years ago, it seems, the Financial Commissioner only produced the Appropriation Accounts without saying one word as to what happened and the tradition of the Government of India and of the Railway Board was money was spent but no control was applied. In the course of our examination we found that the Railway Board had no control on the Agents and the Agents produced no report, and in fact in one of the notes, which Mr. Rau circulated about 3 days ago, the Retrenchment Committee brought out the point as to the best way in which the Railway Board could exercise control over the Agents regarding the control of new expenditure and ordinary expenditure. So the Committee wanted from the Financial Commissioner as the Chief Accounts Officer, not only a Review of the Appropriation Accounts but also information as to what control the Railway Board exercise over the Agents. We found from the Report of a previous Public Accounts Committee that there was some laxity of control up to 1928-29 and we have got some definite cases which Mr. Rau has brought out this year. I never thought that it would take so much time to produce the financial review, as Mr. Rau has stated. But I would like to mention one point. The Auditor General very kindly pointed out and I am a party to it—that the Director of Railway Audit and the Financial Commissioner should agree in their views on a particular matter which will be reported to the Public Accounts Committee. If the Railways were Company-managed Railways and Mr. Rau, as the Chief Accounts Officer, himself produced the balance sheet for 1932-33 sometime in July or August when the Board of Directors and the general shareholders met, the whole account will be supplied. But, unfortunately, owing to the State-management of Indian Railways, the Railway Board never realise that part of the responsibility which will quicken the process of their financial control and produce their balance sheet. When Mr. Rau prepares his budget in January he ought to have the complete account of the year.

Chairman : He is preparing in January a review which closes two or three months later.

Mr. B. Das : I am still on the first point. If our Railways were Company-managed Railways, then, under the Indian Companies Act, Mr. Rau ought to have furnished this to the general shareholders some time in August.

Mr. P. R. Rau : Our accounts are so intermixed with Government accounts that I believe we have to keep the Railway accounts open till sometime in October, that is, six months after the close of the year. For instance, it was only a few days ago that we got the figure of the rate of interest to be applied to our capital at charge for 1933-34. Then there are so many transactions between the Railway Department and other Departments, the Army Department, the Civil Departments, which necessitate our keeping our accounts open till, I suppose, the middle of October. That is why the Appropriation Accounts cannot be prepared earlier.

Mr. B. Das : I recognise those difficulties and that looseness in procedure which is quite usual in Government Departments. But I would yet say, as you yourself pointed out, that by October 1933 you had the accounts for 1932-33 completely clear. Here you are dealing with the net financial result in general and you are not going to deal with it and such things, because these details are supplied separately by the Director of Railway Audit and in this report by you I do not find, except a general review of one or two big principles, that you have discussed anything paragraph by paragraph so far as the details in the report of the Director of Railway Audit are concerned.

Sir Ernest Burdon : He is not supposed to

Mr. B. Das : I think if the Financial Commissioner is not otherwise busy in preparing his new budget he can do this

Mr. P. R. Rau : If I get the first draft of the Appropriation Accounts in December.

The Hon'ble Sir Alan Parsons : I entirely agree that in January and February the Financial Commissioner really has no time to do these things because he is fully engaged in preparing his budget to be placed before the Assembly. I also agree that in March, after he has got through his Railway Budget in the Assembly, he has got to pay a great deal of attention to other things, so that he himself will not be able to devote much time to the draft Appropriation Accounts in the months of January, February and March, but, I think, he might possibly utilise more than he seems to have done in the past the Director of Finance for the preparation of the draft.

Mr. B. Das : That disposes of the first point. As regards the second point, I am glad to recognise that during the last three or four years, the Chief Commissioner and the Financial Commissioner have exercised a greater amount of financial control over the Agents. That was not formerly done and I take this opportunity to recognise that the Chief Commissioner has responded to the spirit of the appeal of the Legislature and the wishes of this Committee. From the various circulars, which have been circulated to the Committee and which were sent to the Agents, I find that the Railway Board are now guided by more commercial principles in the application of financial control over Agents than they did in the past before 1929-30. Perhaps other members of the Committee may find the administration reports to be of little consequence, but to me it is left to point out that the task of the Railway Board during the year is to apply adequate control and not to leave it to the Director of Railway Audit to point out the irregularities after the lapse of two years, and meanwhile, the Agent and everybody else think that the

Government have ample money and that they could spend the money anyway they like. I find in the report circulated by Mr. Rau that a sentence from the Retrenchment Committee's Report (*Report of the Railway Sub-Committee of the Retrenchment Advisory Committee*) has been prominently brought out. I will give the Committee an extract from the report of the Retrenchment Committee. "With the restricted funds available now and possibly for the next few years, it is possible that unnecessary and unremunerative expenditure will be automatically avoided and only such works as are necessary from the point of view of working will be undertaken, but we hope that the lessons of the five years after the separation will be borne in mind when the financial position improves and that there will not be again a reversion to the procedure of placing large sums at the disposal of Railways and encouraging them to spend as quickly as possible which was a feature of the first few years after the restricted expenditure during the war years". This is what the Public Accounts Committee worked for during the past so many years and thus is what the Retrenchment Committee, of which I am glad to note Mr. Rau was a Member and Secretary, had crystallised in their recommendations. What the Public Accounts Committee aims at is to compel the Railway Board not to repeat this extravagance in expenditure. If the Committee is satisfied that there is no necessity for these books, which the Controller of Railway Accounts says do not involve any additional labour—for it is necessary that for the purpose of departmental control they must have these reports whether they are printed or not—if the Committee by a majority agrees, then I will keep quiet. But I am satisfied to a certain extent that the Railway Board is trying to function as a Commercial Department more now than it did four or five years ago.

9. *Chairman* : Your point is this. Provided you are satisfied—and I think you are satisfied—that the material on which these are based is in the Railway Department, and must be in the Department for the purpose of their day-to-day control, then you are not particularly enamoured of their actually being printed and furnished. Is that a fair summary of your view? Perhaps Mr. Rau will give us an assurance that if these books are abolished, he will still have this material available in their day-to-day control of affairs.

Mr. P. R. Rau : Of course.

Chairman : Is it the general sense of the Committee that we should no longer call for these provisional reports for the following year?

Maulvi Sir Mohammad Yakub : That we decided yesterday.

Chairman : We decided for the civil Departments, but Mr. Das wants to keep it open for the Railway Department.

Mr. B. Das : I do think that if in future the Financial Commissioner will supply us any information that we may require to know regarding the financial position of the Railways, we should not call for these provisional reports next year.

Chairman : You mean by oral examination. Yes, certainly.

Sir Ernest Burdon : That point comes up in the Appropriation Accounts proper and the Review of the Financial Commissioner. In the Public Accounts Committee, it will always be open to members of the committee to ask the Financial Commissioner what is the corresponding position in the subsequent year, and I have no doubt he will be able to give the necessary answer. He will have to discover it all in connection with the preparation of revised estimates.

10. *Maulvi Sir Mohammad Yakub*.—Even if you were not a Member of the Legislative Assembly, I suppose you could not produce these papers ?

Mr. P. R. Rau : It is difficult to say, because in March my duties in the Legislative Assembly are not very heavy except what comes in the way of preparing answers to questions, and things of that sort. It is really my duty in connection with the rolling stock programme that keeps me busy in March ; and in January and February even if I am not a Member of the Assembly I would be busy with the preparation of the Budget.

Maulvi Sir Mohammad Yakub : Even if you are relieved, it will not help matters.

Mr. P. R. Rau : I do not think it will help matters very much.

Sir Ernest Burdon : As Financial Commissioner, Mr. Rau would remain personally responsible for the Review of Appropriation Accounts and he would also naturally wish to take a very direct part in the final preparation, but still, as a matter of internal organisation, it will be possible to get a lot of work taken from him which will relieve him for other important duties.

11. *Mr. B. Das* : I should like to know from Mr. Rau if he is prepared to circulate the report of Mr. Pope. If it had been circulated earlier, we would have been able to check our views with those recommendations.

Mr. P. R. Rau : Yes.

12. *Maulvi Sir Mohammad Yakub* : The Auditor General has remarked (paragraph 4) that last year the demands for grants were put in a form which has been superseded. What is the position now.

Mr. P. R. Rau : The Committee examined this question last year about this time. I made certain suggestions for the revision of the form of Demands for Grants, which were accepted by this Committee and also by the Standing Finance Committee on Railways, and they have been brought into force with effect from the budget of the current year, 1934-35, and I hope this will help us in improving our control of expenditure.

Chairman : Does the Committee think that we are satisfied for the time being with the present position and that we can proceed to paragraph 5 ?

Mr. P. R. Rau : Perhaps before the Committee proceeds to paragraph 5 of the Auditor General's letter, it might consider the various grants in which there are excesses, because a recommendation has to be made to the Assembly for excess grants. The reasons for these excess grants are given on page 49 paragraph 95 (*Review*).

Chairman . In Grant 9, the expenditure under this head is not controllable.

The Hon'ble Sir Alan Parsons : It is a pure calculation of figures.

Mr. P. R. Rau : This is appropriation to the Depreciation Fund.

Chairman : This question arises rather on paragraph 5 (2) of the Auditor General's letter. The argument under Grant 10 is in the main that your appropriation from the Depreciation Fund depends on the results of your working during the year that cannot be forecasted.

Mr. P. R. Rau : So far as we are borrowing money from the Depreciation Fund.

13. *Mr. B. Das* : Under Grant No. 11 (Miscellaneous Expenditure), did the Chief Mining Engineer proceed on leave after Mr. Ghaznavi brought his charges to the notice of the Assembly ?

Mr. P. R. Rau : I remember he went on leave during two years in succession for short periods. I do not remember whether it was one of the years during which the charges were brought before the Assembly.

Sir Ernest Burdon : Another formal matter is mentioned in paragraph 28 of the Report of the Director of Railway Audit and some cases which require to be brought to the notice of the Assembly are noted therein.

14. *Mr. B. Das* : On page 11, paragraph 28 (Irregular Re-appropriations) of the Report of the Director of Railway Audit, the G. I. P. has made an irregular re appropriation.

Mr. P. R. Rau : It is not deliberate contumacy or some such thing. There was some misunderstanding of the orders issued by the Railway Board. We had given instructions to all these Railways to adjust the exact amount though the budget figure was different, and we had also told them that they must not use those sums for any other purpose. Every railway really obeyed those orders and they adjusted the exact amounts that were payable and they did not utilise that money for anything else. But technically probably they were wrong in showing in the final accounts 3.43 instead of 3.60.

Mr. B. Das : The Chief Accounts officer understood the orders of the Railway Board ?

Mr. P. R. Rau : He obeyed the orders. But there was a technical defect in the fact that he reduced the figure from 3.60 to 3.43. He did not utilise the balance for any other purpose.

15. *Mr. B. Das* : I do not understand why and how the Railway Department paid to the Income-Tax Department.

Mr. P. R. Rau : When the railway servants, who were subject to the cut, were exempt from the surcharge on income-tax, it was considered that it was desirable that the railway should make good to the Income-tax Department the loss they would suffer on account of the exemption. This was

necessary specially as some of these were not Government servants. We made a rough guess as to what the total would amount to and we arranged with the Central Board of Revenue that we would pay 20 lakhs

The Hon'ble Sir Alan Parsons : When the cut in pay was introduced, it was 10 per cent. for Government servants and at a lower rate for certain other servants of Railways, Posts and Telegraphs, etc. There was an exemption from the increase in income-tax and surcharge. It was then decided that commercial Departments of Government ought to pay that amount to the Income-tax Department and in this case, the payment was made by the Railway Department to the Central Board of Revenue. And, in order to avoid all sorts of calculations, we worked out on broad figures and we arranged that the Income-tax Department should transfer to their receipts from the Railway revenues a certain sum. I imagine what Mr. Rau did was to distribute those 20 lakhs over individual railways so as to keep their accounts correct. Here I presume what the G. I. P. did was to reduce the sum to 3.43 lakhs as all that was liable by them and they did not use the difference of 17 lakhs for other expenditure.

Mr. T. K. Rajagopalan : That may not be. I think they did actually use these 17 lakhs. It is a small flea-bite.

The Hon'ble Sir Alan Parsons : Whatever it may be, it was a mistake. I expect the reduction of the amount required formal sanction of the Railway Board, and therefore audit was quite right in asking for a formal authority.

Sir Ernest Burton : It is a technical mistake.

16. *Mr. B. Das :* Did the Government of India decide that the income-tax that is due to the Government should come from the revenues of the railways concerned and not from the salary of the officers?

Mr. P. R. Rau : The officers, in common with all other officers of Government, were exempt from the additional surcharge.

The Hon'ble Sir Alan Parsons : The Government decided that the concession of the exemption from surcharge in the case of railway servants and in the case of certain other servants of certain other Commercial Departments should be given at the expense of the Commercial Departments and not at the expense of the general revenues.

17. *Mr. B. Das :* Was it the same in the case of Postal Department?

Mr. K. Sanjiva Row : Yes.

18. *Maulvi Sir Mohammad Yaqub :* Was this concession made only to commercial departments?

The Hon'ble Sir Alan Parsons : The concession was to all departments. When the 10 per cent. cut was imposed, it was decided that Government servants should not be liable, while the cut was in force, to the surcharge of income-tax. That applied to everybody. It was not a concession to the railway servants alone but to everybody else.

19. *Mr. B. Das :* The same mistake has been made by South Indian Railway also. What has the Railway Board done to avoid such mistakes in future?

Mr. P. R. Rau : We have told all Railways that in future when they are submitting their revised estimates they should show the amounts they want under each of these different heads separately.

20 *Chairman :* Paragraph 5 (1) of the Auditor General's letter . What are the effects obtained by the alteration of rates and fares ?

Mr. P. R. Rau : It is impossible to say what are the actual effects of the alteration of rates and fares. We can only say what we estimated to get from increased fares in 1931-32, 31 lakhs from sugar, about 15 lakhs from jaggery ; and, under coaching earnings, we increased the parcels and luggage rates from which we expected about 63 lakhs. In 1932-33, the most important alteration was the imposition of the 15 per cent surcharge on coal from which we expected 60 lakhs, which I believe we got. With regard to kerosene, an increase of 14½ lakhs was expected. In 1933-34, we have not made any changes of importance, except that, as an experimental measure, we are reducing passenger fares in many Railways to see what would be the effect of that on our revenues.

21. *Mr. B. Das :* Can you tell me the results of the experiment of reduction in fares during the past few months ?

Mr. P. R. Rau : In North Western Railway we reduced passenger fares sometime in December last and I find from the latest figures that our passenger traffic increased by 10 per cent. but, on the whole, our earnings showed still a decrease of 2 per cent. or thereabouts. As the results are inconclusive, we have decided to continue the experiment for a whole year.

22. *Chairman :* Has there been more than one report from Mr. Pope ?

Mr. P. R. Rau : There have been two reports on one of which we have taken action and one is still under consideration.

Mr. B. Das : I should like both these reports to be circulated to us.

Mr. P. R. Rau : I will do so. Perhaps the Committee would be interested to know that in the second report Mr. Pope mentions that of the total savings of 43 lakhs per annum, that was expected in the four State Railways as a result of investigations already carried out, one-third has actually been effected.

23. *Mr. Ramakrishna Reddi :* I just want to draw attention to the fact that the working expenses of the Company-managed Railways are generally much less than those of the State-managed Railways, as you find from the Review of the Financial Commissioner at page 61 (Annexure A). Another fact is that the expenses on renewals and replacements are generally debited to revenue in the Company-managed Railways, whereas it is debited to the capital on the State-managed Railways. So naturally the expenses must go to increase the working expenses of the Company-managed Railways.

Mr. P. R. Rau : Expenditure on renewals and replacements is not included in this. These are the ordinary working expenses.

Mr. Ramakrishna Reddi : On page 9 you see the profits made by the State and Company-managed Railways.

Mr. P. R. Rau : The conditions in different Railways vary so much that it is more useful to compare the results of the working of the same Railway for a number of years. And this percentage also depends more on the earnings which are beyond our control to a large extent.

The Hon'ble Sir Alan Parsons : It depends so much on traffic and other things that I do not think you can really draw any conclusions by comparing one Railway with another.

24. *Mr. B. Bas* : Do the Government of India consider they will give effect to the recommendation of the Retrenchment Committee that there should be a committee, or is Mr. Pope's decision final ?

Mr. P. R. Rau : I think as a matter of fact it was announced to the House that Government had given up the idea of having another expert inquiry.

Mr. B. Das : That means that Government are satisfied with their own methods

Mr. P. R. Rau : The idea was that the economies would probably be more easily now obtained by detailed investigations in particular directions rather than by any general expert inquiry which would not be in a position to go into details in all these cases.

25. *Mr. B. Das* : Does that mean that, apart from Mr. Pope's inquiry, the Railway Board have got their special detailed investigations in different lines ?

Mr. P. R. Rau : Yes, Mr. Pope has suggested that, as in the L. M. S. Railway, on each Railway there should be a special organisation to take up what is called job analysis to find out where exactly there were possibilities of extravagance or where it is possible to save expenditure without loss of efficiency. And in each Railway we have got a separate department, temporary for the present to go into individual things, and that is how we have had these economies that Mr. Pope has mentioned in the second report. The Railway Board are getting information. We got one half-yearly report from each Railway Administration but we are expecting a second half-yearly report very shortly, and on the receipt of figures for the whole year we are preparing a memorandum to be placed before the Standing Finance Committee for Railways. I shall be glad to circulate it to members of the Public Accounts Committee.

Paragraph 5 (2) of Auditor General's letter—Depreciation.

26. *Chairman* : Then, as regards the general question of depreciation, I understand that two questions are involved there : the exact method of calculating allocation to depreciation Fund, which is a comparatively small question, and the much bigger question as to the allocation between the Depreciation Fund and Capital in the case of replacements and renewals. Have you arrived at any conclusion on the bigger question ?

Mr. P. R. Rau : I am afraid we have not arrived at any conclusion on it. And it is connected with the future financial arrangements between the Railways and the Central Government.

Chairman : What about the smaller question ? At the present moment you have rather elaborate calculations based on special rates of each of the hundreds of different kinds of railway stores and equipment. Has the Railway Board arrived at any conclusion on the method of calculating the allocation to Depreciation Fund ?

Mr. P. R. Rau : As I explained in paragraph 65 of my Review, the present method is theoretically probably justifiable but in practice it cannot be considered as leading to accurate results and the time utilised for keeping up these registers seems to us at any rate an absolute waste. Without entering into the general question of whether the present contribution to the Depreciation Fund is adequate or inadequate or excessive we would like, if the Committee agree, to suggest that the method of calculation should be simplified and that it should be based, as recommended by the Auditor-General two years ago, on the capital at charge of the Railway, I have had certain figures taken out since 1924-25 and I find that the actual appropriation calculated according to these ratios has varied from 1.65 per cent of the capital at charge to about 1.72 per cent. And it seems to me that, pending a fuller examination of the whole question, it would save everybody a lot of trouble if the Committee agreed that in future the appropriation should be based on a figure corresponding to what we had in the past, namely, 1.67% or roughly 1/60th of the capital at charge, which is an easy figure to calculate. Further, if the Committee accept this suggestion I would ask them to agree that we should stop now all researches in the past whether in any particular year we have made a larger contribution than necessary, or whether in a particular year we have taken from the Depreciation Fund what we ought to have taken from revenue and *vice versa*.

Chairman : But there is certainly no question of your abandoning the life history of your various assets so that you could not at any particular time, if you wished, check the accuracy of the rough and ready figure adopted, by a further investigation into the life of your assets? We have had some preliminary discussion on this in the Committee and some members were rather afraid that you intended to abandon the keeping of a life history of your assets.

Mr. P. R. Rau : Whatever data exist, not necessarily financial, but data with regard to assets, will continue to remain.

27. *The Hon'ble Sir Alan Parsons :* Supposing you adopt this simplification instead of this elaborate calculation for your appropriation to the Depreciation Fund, will it make any alteration in your arrangements for the appropriation from the Depreciation Fund?

Mr. P. R. Rau : Not at all.

The Hon'ble Sir Alan Parsons : Supposing you have got an asset, say, a locomotive which is renewed you would possibly have for 5 or 10 years an appropriation on account of that locomotive put into the Depreciation Fund. Under your present arrangements, 35 years is the life for locomotives. Will the contribution on account of that locomotive for a further 25 years be altered in any way?

Mr. P. R. Rau : That will be altered because the contribution will not be based on each individual asset but on the total of the assets. What is really done is that we assume that every asset is retired at the end of its natural life.

Chairman : The proposal is that the allocation to depreciation should be 1/60th of the capital at charge. You will have full material for checking at any time you like whether that figure of 1/60th is approximately correct.

Mr. P. R. Rau : Yes, that can be checked, so far as I can see, only from the appropriations from the Depreciation Fund because we can only judge what is actually required from the Fund and for that purpose we will retain all our present arrangements.

Sir Ernest Burdon : I should like to suggest that the Committee may be interested to know the views of Mr. B. N. Mitra on this point. He has had a long experience of Railway accounts and audit and has a great deal of technical knowledge on this subject.

Mr. B. N. Mitra : It would be a retrograde step to abandon these elaborate calculations of depreciation. The calculations that we now make are based on strictly commercial principles. All the leading authorities on the subject of depreciation say that the question of depreciation is very important and that it will fully repay the cost involved in keeping these additional records because these records will give an indication at a later stage of whether our rates of depreciation are correct or not. There can really be no finality or perfection in regard to the calculation of depreciation. It is at best a presumption but there may be serious risks involved if the rates are too low; and therefore in commercial practice they advocate the keeping up of very elaborate records of depreciation. In my opinion it would be a retrograde step to abandon these, and for the purpose of comparison of the accuracy of this ratio of 1/60th or whatever is prescribed, it will be necessary to keep up practically the same amount of information as is kept at present, so that there would be no real saving in the labour involved.

Chairman : But I differ. There is no question of abandoning any of the records and at any time these records are available to check the accuracy or otherwise of the approximate calculation which is used. Every year you have to calculate the allocation to depreciation and you have to make calculations on assumed lives for several hundreds of different kinds of assets. I imagine that those calculations occupy a certain amount of time. In future the calculation to arrive at the allocation to depreciation can be made in two minutes. I cannot see that anything is lost and I do say that a certain amount of time is saved.

28. *The Hon'ble Sir Alan Parsons* : Do you mean, Mr. Mitra, that if we abandon the present system it will not be possible to get information as to the average life of different classes of assets which will not be available otherwise? Your question, is, are the Railways setting aside an adequate sum for depreciation, not too much and not too little? That must be based on the average lives of each of the assets on the line.

Mr. B. N. Mitra : The composite figure not only depends on the average life of the asset but it also depends on the variation in the proportion of the various assets. Now, for instance, we have (say) 30 lakhs on locomotives, 20 lakhs on permanent way, 10 lakhs on bridge work, all with different sets of lives. If this composite figure is made up on the lives of the assets which comes to 2 per cent. now, it may so happen that 2 years later or 5 years later it may come to 2·5 per cent.

Chairman . If you had said 2·1 per cent. I would have agreed, but it seems to me almost impossible to come to 2·5 per cent.

The Hon'ble Sir Alan Parsons May I put it in this way? You are afraid that the equipment of Railways may so vary in its character that if it is 15 per cent. of the capital expenditure on locomotives and 30 per cent. in the permanent way, it will become 25 per cent. locomotives and 20 per cent. permanent way. Is there any actual practical likelihood of that?

Chairman : And if such a change were to occur it would only occur over a period of years. For instance, suppose in ten years' time you made a calculation of the figure of 1·75, there is actually no reason why in the next ten years the allocation should not be 1·75. I cannot see that there is any real danger of such a rapid change in the character of railway assets that the figure of 1·67 adopted this year will become seriously wrong inside of 5 or ten years.

Mr. B. N. Mitra : That is correct but my submission is that for checking the calculation after ten years whether there has been any variation in the position of the various assets it will be necessary for us to keep up the same financial records that we are keeping now. I do not see how it will be possible otherwise to check the accuracy after a period of 5 years.

Mr. P. R. Rau : The records I am talking about are the records of the Depreciation Fund. In one column we have the additional appropriation for depreciation on the assets added during the previous year and based on the amount of expenditure incurred on the class of asset. In another column is shown the amount that expires during the year on account of assets which have reached the end of their normal life. The latter figure is at present a purely fictitious figure because we had not enough records when we started the Depreciation Fund to say when a particular class of asset was originally added to the line, and it seems to me of no value whatsoever to continue to keep the records on this basis. But I think we are quite justified in assuming that on the average an asset is replaced when it reaches its normal life.

29. *Chairman* : Do I understand that anyhow your records are in themselves a presumption because you do not in fact calculate your depreciation on the basis of the exact life of a large number of individual articles, but your calculations are made on the basis of an assumed life of the totality of the articles?

Mr. P. R. Rau : Yes. Firstly, it is based on the assumed life of the totality of articles, and, secondly, it is not based even on the totality of the articles existing at any particular moment. The method suggested here of taking the total and dividing it by an average is simpler, but since we anyhow have to go into the question of what is the proper amount to be charged to depreciation, I do not think we are losing anything by adopting this simplification at the present moment.

The Hon'ble Sir Alan Parsons : It seems to me that if there was a radical change in proportion to different classes of assets on the Railways, that is perfectly easily ascertainable by the figures of capital expenditure on the various

classes. For instance, if we have got a larger proportion of the total capital of Railways spent on locomotives, that will be easily ascertainable from the capital accounts.

30. *Mr. B. Das* : I have nothing to say about your empirical percentage of 1·67, but how are you going to distribute? Suppose, you get 14 crores next year, you will have to distribute it railway by railway. How do you divide up this sum and in what proportion?

Mr. P. R. Rau : We would distribute it to each railway on the basis of the capital at charge.

Mr. B. Das : Supposing you fritter away all your assets in the Depreciation Fund on the G. I. P. electrification scheme which turns out to be bad, or you spend the G. I. P. Depreciation Fund to meet renewals, what is the control you will exercise in the disbursement of that fund?

Mr. P. R. Rau : The essential thing, so far as I can see, is that Railways should be compelled to provide for a certain sum which approximately at least is the accrued depreciation on their total assets and it does not matter whether in one particular class of assets it is more and in another class of assets it is less, so long as we are satisfied that on the total the amount is enough. And we are not trying to reduce depreciation or anything like it; we are merely going forward on the experience of the past ten years. We would not show on account of each item and each class of assets the particular amount appropriated for that purpose, but the total amount only would be shown.

Mr. B. Das : So there is every likelihood of your assets being frittered away on one or two items and there would be nothing left.

Mr. P. R. Rau : There is nothing to prevent it now. For instance, if we want to spend a lakh of rupees on replacing a particular asset, the fact that there is no balance at its credit in the Depreciation Fund cannot deter us from doing that. For instance, in the general appropriation account you will find that the balance under permanent way is a debit balance.

Mr. B. Das : Page 90 (Appropriation Accounts) will not appear any more and that means that the Controller of Railway Accounts and yourself will lose sight of the deterioration of the different assets.

Chairman : I cannot conceive of any commercial concern failing to keep a stock assets account.

Mr. P. R. Rau : But we can check these figures every five years : at the end of five years hence we can take the total capital at charge under each class of assets and calculate it on our present assumed lives and say whether our 1/60th on the total diverges very far from that.

Sir Ernest Burdon : If I might intervene, yesterday's conversation and this morning's conversation are the first occasion on which any definite proposal of this kind has been put forward. In departmental discussions I gathered the impression that the Railway Department themselves had not come to any definite conclusion in the matter, and I think I am also right in saying that the existing Depreciation Reserve Fund has been regarded as suspect from two

opposite points of view—too much and too little—I need not say anything more, and so I would like to suggest that as apparently the Railway Department have now come down definitely on one particular line, I should, for my own satisfaction, like to have it stated very formally in writing and I should like to have an opportunity of examining in consultation with the Director of Railway Audit and the Controller of Railway Accounts exactly what change is going to be involved and whether the change would be such that I could conscientiously accept as Auditor General.

31. *Chairman* : Assuming that you are satisfied for the moment, will it be necessary to wait for you to report to the Public Accounts Committee ?

Sir Ernest Burdon : Would a change of this kind require to go to the Secretary of State ? I think so.

The Hon'ble Sir Alan Parsons : If the audit authorities on due consideration think it should go to the Secretary of State, we would write a two-paragraph letter.

Mr. P. R. Rau : Of course, this is not meant as our final suggestion on the main question : this is only a temporary expedient for retaining the present *status quo*.

Chairman : You are going to stabilise the contribution to the Depreciation Fund by a sum approximately representing the average contribution of recent years to the Depreciation Fund ?

The Hon'ble Sir Alan Parsons : May I suggest, as far as this Committee is concerned, that if, after the Auditor General has gone into the case he is satisfied that it is desirable, then the Committee should recommend that it should be given effect to ?

Mr. B. Das : I would only like to point out that the Railway Board were not commercially-minded before 1924-25 and I would like to be satisfied that there should be some kind of detailed accounts and control over this appropriation from the Depreciation Fund and that there is a scientific examination of the life and value of the assets ; otherwise the whole thing will become a rule-of-thumb business and will become non-commercial as it was before 1924-25.

Sir Ernest Burdon : You say this is only intended to be a temporary expedient ?

Mr. P. R. Rau : Yes ; it is still under consideration and it is not decided whether a committee should be appointed or in what way we should arrange to settle our future financial arrangements between the Railways and the Central Government.

Sir Ernest Burdon : That will bring in the whole Depreciation Fund question—its *quantum*, detailed arrangements and everything ?

Mr. P. R. Rau : Yes.

Chairman : I think, subject to the views of the rest of the Committee, we had better leave it like that, that the Railway Board will write to the Auditor General setting out their exact proposal and what difference it will make in the

statistics kept and giving their views on it, that he should then examine it in order to see if he considers any damage will be done. I would like, if during the next three months or so the Auditor General is satisfied, that the change might be made without further reference to the Committee.

The Hon'ble Sir Alan Parsons : If the Auditor General finds it sound, it could be given effect to in the next budget.

Sir Ernest Burdon : If the proposal can be set forth to us promptly, I can assure you it will not take long for us to decide it.

Paragraph 5 (3) of Auditor General's letter, Convention to regulate allocation of expenditure on rolling stock on Company managed Railways.

32 *The Hon'ble Sir Alan Parsons* : What is the actual objection of the companies ?

Mr. P. R. Rau : I think it is entirely due to a misunderstanding. Their point was that this cuts at the root of the principle of abandonment of stock which had been settled by the Secretary of State as early as 1878. We have explained it to them at length and I hope we can persuade them to agree to it.

Sir Ernest Burdon : This draft convention was settled between the Railway Board and myself in 1932 and the Railway Board have accepted it as far as they are concerned ?

Mr. P. R. Rau : But if we cannot get the Companies to agree, we will have to address the Secretary of State because it is a question of interpretation of the contracts.

33. *The Hon'ble Sir Alan Parsons* : Are these the sole classes you propose to have ?

Mr. P. R. Rau : That was our tentative distribution.

The Hon'ble Sir Alan Parsons : Supposing they are in arrears for renewal of a broken up petrol wagon and they propose to buy a new timber wagon, you take that as a replacement ?

Mr. P. R. Rau : We could not insist on it.

The Hon'ble Sir Alan Parsons : There is no value in this convention at all except what rests on the classification ?

Mr. P. R. Rau : Quite so and it is purely tentative : I think we can come to some arrangement with the companies in regard to classification too.

34. *The Hon'ble Sir Alan Parsons* : Is it desirable in the interests of Indian revenues to stereotype it in this way ? (*Sir Alan Parsons then instanced the case of the Bengal Nagpur Railway*). Is this in fact merely a convention in order to enable audit to have something to audit against ? Is it convenient in your opinion or to the advantage of Indian revenues to adopt anything of this kind at all and not leave each case to be dealt with on its merits by the Railway Board ?

Mr. P. R. Rau : I cannot say that it is necessarily in the financial interests of Railways, at the present moment specially.

Sir Ernest Burdon: The Railway Board have apparently adopted this classification and, in the meantime, because it is the business of audit to determine the allocation or to check allocation, at the present moment their allocation is being carried out in accordance with that particular memorandum (*Appendix IV*); but if the decision is one way, then all these things will have to be altered. We want Government to make up their mind and say what audit should do. That is all we want.

Mr. B. Das: In this matter I do not agree with Sir Alan Parsons or even Mr. Rau that there was not any financial saving to the Government of India.

Mr. P. R. Rau: I said there will not necessarily be a saving. It depends on the circumstances of each case.

Mr. B. Das: But there will be a certain amount of uniformity in administration?

The Hon'ble Sir Alan Parsons: That is what I am arguing against. At the present moment it is to the advantage of Indian revenues as a whole to purchase fresh stock from capital and not from revenues. A few years ago, the reverse was the case.

Mr. B. Das: It is financial exigency and not financial principles you are applying. I would suggest that the Financial Commissioner should submit a note to the Committee on this matter.

The Hon'ble Sir Alan Parsons: All I say is that it should be done by giving full reasons in each case why a particular allocation has been decided upon by the Railway Board.

Sir Ernest Burdon: I would ask that Government should make up their minds in regard to this matter. (*Here Sir Ernest Burdon instanced the case of the Bengal Nagpur Railway.*)

35 *Mr. B. Das*: If the Railway Board had not made the Secretary of State enter into another contract in 1912 by doing away with the penalty clause, this would not have happened.

Sir Ernest Burdon: I will report the Bengal Nagpur Railway case to the Secretary of State in my letter which will go out in a fortnight.

Mr. P. R. Rau: The two principles that we mentioned are strictly correct according to commercial practice, I think.

Chairman: Replacement is not a thing which can be defined with exactitude: and in point of fact in England inspectors of taxes, in the case of income-tax, are encouraged to use their own discretion in individual cases.

Mr. P. R. Rau: As a matter of fact we can probably get more from the Companies by negotiation than by sticking strictly to the contract.

Chairman: I am not quite clear about the present situation.

Mr. P. R. Rau : The situation is that we are trying to get some sort of agreed classification between the Railway Board and the Companies and if that is done we shall ask audit to settle individual cases accordingly reserving to ourselves the right to interfere in special cases. As a matter of fact, the Bengal Nagpur Railway has agreed to this classification because it does not matter to them now.

Sir Alan Parsons . My submission to the Committee is that it is not desirable to have this classification at all. I take it that no Railways have agreed to the classification.

Mr. P. R. Rau : Only one Railway has accepted it fully. Mostly all have accepted the convention but not the classification—some have said that the classification is not satisfactory and that there should be a larger number of classes : and some have agreed subject to the condition that the final allocation in all cases must be in accordance with the contracts and subject to the approval of the board of directors, which leaves us where we are.

36. *Sir Ernest Burdon* : Can't you settle your allocation in your annual meeting in March ?

Mr. P. R. Rau : We generally do so, but we do not have complete information, and the idea was that if this convention was adopted the Government Examiner could afterwards check the first preliminary classification according to this convention.

Chairman . What about the fairness of it ?

Mr. P. R. Rau . I think that the first two principles are quite fair.

Mr. B. Das : I as a representative of the people of India should point out that I am not going to be a party to the Bengal Nagpur Railway contract which has been entered into behind the Government of India, behind the people of India.

Mr. P. R. Rau . The next time when we get our Agents up we will see whether we can get some sort of agreed classification or not. There are about sixty items. I think we must come up to some sort of general principles in this matter. It is rather difficult to differentiate between railways in the matter of allocation.

Sir Ernest Burdon : I think the simplest thing would be to leave the allocation to the Agents of the Company-managed Railways, and the Railway Board should see whether they can accept it or not.

Chairman : My general impression of this is that it is all part of a much bigger question as to whether the general allocation to capital is right. Of course, in a purely commercial concern, I imagine that nothing will be charged to capital unless it involves the creation of extra earning powers, like the opening of a new line, the doubling of an existing line. I think Mr. Rau's

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suggestion that we should get the Agents together and discuss the matter with them and see what measure of general agreement exists is quite a feasible one

Sir Ernest Burdon. It seems to me to be impracticable to arrive at a general measure of agreement as between the Agents on the one hand and the Railway Board on the other, because each has got an individual financial interest to serve.

The Committee then adjourned for Lunch till 2-30 P.M.

Evidence taken at the Ninth Meeting of the Public Accounts Committee held on
Wednesday, the 4th July 1934, at 2-30 P. M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Rao Bahadur M. C. RAJAH.	}	<i>Members.</i>
Mr. T. N. RAMAKRISHNA REDDI.		
Mr. K. UPPI SAHEB Bahadur.		
Mr. B. DAS.		
Captain SHER MOHAMMAD KHAN.		
Maulvi Sir MOHAMMAD YAKUB.		
Dr. R. D. DALAL.		

Sir ERNEST BURDON, Auditor General.	}	<i>Were also present.</i>
The Hon'ble Sir ALAN PARSONS, Finance Secretary,		
Mr. T. K. RAJAGOPALAN, Director of Railway Audit.		

Sir CUTHRIE RUSSELL, Chief Commissioner of Railways	}	<i>Witnesses.</i>
Mr. P. R. RAU, Financial Commissioner, Railways.		
Mr. T. S. SANKARA AIYAR, Director of Finance, Railway Board.		
Mr. B. N. MITRA, Controller of Railway Accounts.		

[The Committee resumed the examination of the Appropriation Accounts relating to Railways]

Sir Ernest Burdon : With regard to paragraph 5 (3) of my letter, what I would suggest is this : as the Railway Board have already taken certain action, it will not be practicable for them to withdraw their Circular. I would therefore suggest that they should at their next annual meeting try and get as great a measure of agreement as is possible, and if they fail, then I think they will be driven back to the conclusion which I suggested this morning, namely, that the Agents of the Company-managed Railways will have to make their proposals as regards the allocation ; the Government Examiner will have to examine them and the views of both parties should be put before the Railway Board who should determine the question with reference necessarily to the contracts with individual Railways.

Chairman : I think that seems to be the only way out of the difficulty.

Sir Ernest Burdon : In the meantime, I shall mention the topic in my letter to the Secretary of State when forwarding the Appropriation Accounts, because it is linked up with the Bengal Nagpur Railway case on which he has asked for a report.

37. *Chairman* :—Does that meet the wishes of the Committee generally ?

The Hon'ble Sir Alan Parsons : That means that the Agents of the Company-managed Railways will be the primary authorities in regard to allocation.

unless their action is not supported by the Government Examiner; unless it is brought to the notice of the Railway Board by the Government Examiner they will be entirely excluded.

Mr. P. R. Rau : What will happen is this. In our programmes we shall have a preliminary allocation, and if the Government Examiner has reason to think that it does not satisfy the conditions laid down, whatever the general conditions, then he will take it up with the Administrations, and if the Administrations disagree, the matter will be brought before the Railway Board.

Sir Ernest Burdon : There will be something or other for them to go by.

Chairman : That means the primary responsibility for protecting the Government interests will be that of the Government Examiner.

Mr P. R. Rau : Yes.

Chairman . Then perhaps we had better leave it like that.

Paragraph 5 (4) of the Auditor General's letter and paragraphs 131 to 133 of D. R. A.'s Report—productivity of Railway Capital expenditure.

Chairman . The question at issue here, I understand, is the method of testing the productivity of particular pieces of capital expenditure undertaken by the Railways, and that these tests should be entrusted to the Accounts Department of the Railways under the general direction of the Agents.

Sir Ernest Burdon : I don't think there is much to be said on this.

38. *Mr B Das* : I should like to make a few observations. I welcome these investigations on the part of the Railway Board; and I am glad they are keeping themselves abreast of the times. But I would have liked to see the Railway Board including in this list the re-modelling of stations where huge capital expenditure was incurred with the assurance that there would be a reduction in expenditure and more profit would be earned,—I am referring to the re-modelling of stations like Cawnpore, Erode, etc. No mention is made here of the capital expenditure incurred in the re-modelling of these stations after the excessive capital programme of 1924-25 and thereafter, and I think that if investigations have to be carried out, they should be applied to all these projects that were undertaken after 1924-25.

Sir Guthrie Russell : That could not be done because of the changing conditions which have made a great difference. If you take a station like Cawnpore, which was based on very much higher traffic, and if you undertake an investigation, now it must show that this expenditure was unjustified, because the changed conditions have affected the original estimates of traffic.

Mr. B. Das : What I wish to draw the attention of the Railway Board to is that the inference drawn by the Chief Commissioner for Railways is not correct

Sir Guthrie Russell : The examination should be postponed till the railway traffic improves because the figures you now have will prove nothing. When you get back to more or less normal, then make an examination of some of the schemes and if with normal traffic they are proved to be not paying, then we can consider the matter. But I do not think that an examination now will condemn anybody.

Mr. P. R. Rau : In any case, it is not really of much value to go about examining all the schemes that we have started since 1924-25 because, after all, we can direct our efforts to better advantage as regards the future. That is why we asked the Agents in consultation with the Chief Accounts Officer or the Chief Auditor to select two or three schemes which have been completed during the last 3 or 4 years and subject them to an examination.

Sir Guthrie Russell : To subject all the schemes to an examination would certainly require a 50 per cent increase in the staff of the Railway Board.

Mr. B. Das : I entirely agree with you about the future procedure, but I was not sanguine about the success of these railway projects, though strong views were expressed and so much capital expenditure was incurred. If the Railway Board will bear that in mind they will have to review this position.

Sir Guthrie Russell : Yes.

Mr. B. Das : and that they will have to admit that some mistakes have been committed

Sir Guthrie Russell : I do not think they will necessarily do that.

Paragraph 5 (5) of Auditor General's letter and paragraph 144 of D. R. A.'s Report—writing off over a series of years of certain large items of capital represented by "assets not in use" or by intangible assets.

Chairman : Paragraph 5 (5) of the Auditor General's letter.

Sir Guthrie Russell : Under the original contracts all these purchase prices were laid down in certain terms. They were possibly 25 per cent. more than the original value or were based on the earnings for a certain number of years. So, actually what we paid should have been the market price. To my mind it was a correct debit to capital at that time.

39 *Chairman :* There is no point in writing off some of those which have become valueless if you do not simultaneously write up those which have become more valuable.

Sir Guthrie Russell : That question arises in connection with revaluation of stores. 2½ crores of useless assets—there may be some reason for that. They are abandoned works.

40. *Chairman :* How do you adjust your capital account? On one side you have got a debit of, say, Rs 800 crores and on the other side you have got Rs. 750 crores. Where is the balance?

Mr. P. R. Rau : We will have to find the money from the revenue.

Chairman : No, no. (Laughter.)

Mr. T. K. Rajagopalan : The Financial Commissioner at page 58 paragraph (2), (Review) deals with that subject.

Chairman : The railway contribution should be substantially earmarked for debt redemption, that is what it really amounts to.

Mr. P. R. Rau : It is not possible to split up capital into tangible assets and intangible assets.

Chairman : There is a good deal of argument for making the Railways assume a part of the amortisation charges of their capital. That will only arise when they pay their interest.

Mr. B. Das : What does the Auditor General say ? Mr. Rau does not want that those 52 crores should be written off at once. The present financial position does not allow it. He only says on page 58 that a small sum can be written off by a sinking fund. That does not materially help.

Sir Ernest Burdon : We cannot do anything at present

Mr. B. Das : Mr. Rau is very good in theory and principles but

Mr. P. R. Rau : I also recognise the practical needs of the case.

Mr. B. Das : But your financial results do not permit you to do anything.

Sir Ernest Burdon.—You cannot raise the fares beyond what the traffic can bear.

Director of Railway Audit's Report—Doubtful Investments.

41. *Mr. B. Das* : Paragraph 132. The Burma project. (*Construction of Minbu Pakokku District Railways*.) Was it asked for by the Burma Government or was the scheme designed by the Burma Railways ?

Mr. P. R. Rau : It is not guaranteed.

Mr. B. Das : I must say that the Railway Board has done the proper thing in abandoning the line.

Sir Guthrie Russell : The idea was to cut our losses.

42. *Mr. B. Das* : I make the same remark about the North Western Railway (Paragraph 133). My only suggestion is that as the Punjab Government must have asked the Government of India to put in that bit of railway (*Lyallpur-Chanawala Railway*), so they should not ask for irrigation charges ? The Punjab Government should not be paid anything for their irrigation diversion and that the Government here says that these claims have been admitted to the extent of 1.30 lakhs.

Mr. P. R. Rau : It is 1.72 lakhs.

Mr. B. Das : I would suggest to the Railway Board to consider whether it is necessary at all for the Railway Board to pay any compensation to the Punjab Government.

Sir Guthrie Russell : They were conferring certain benefits on the railway, they diverted the canal and improved certain bridges—that is their claim. If the Public Accounts Committee says that we should not pay anything more, it will strengthen our hands.

Mr. B. Das : The Railway Board is committed to the Rs. 3 crores on the Mandi scheme and the Punjab Government is not put to any loss. I would suggest to the Railway Board that they should ask the Punjab Government not to be so grabbing. The Railway Board have gone into more loss on account of the Province of Punjab than of any other province.

Sir Guthrie Russell : I can assure you that we will not pay the Punjab Government an anna more than is absolutely necessary.

Paragraph 5 (6) of Auditor General's letter and paragraph 160 of D. R. A.'s Report—Delay in the reduction of schedule rates on the Eastern Bengal Railway.

Chairman : Paragraph 5 (6) of the Auditor General's letter—paragraph 160 of the Audit Report.

43. *Mr. B. Das :* I would like to know what the Agent's explanation is.

Mr. P. R. Rau : May I read out the explanation of the Agent himself? "It was considered that a fair comparison between rates on North Western Railway and this Railway was not possible as conditions are different on the two Railways. The East Indian Railway schedule of rates for Howrah Division, prevalent before the tender system was introduced on that Railway, was obtained and a comparison between the rates on Eastern Bengal Railway and East Indian Railway was instituted. While it was found that a fair comparison could not be made between many rates in the absence of information regarding the specifications, which were in force on the East Indian Railway, it was found that in the case of earthwork, for which work the specifications are usually the same over all Railways, our rates were much lower than on East Indian Railway. Audit comment is that this Railway had lagged behind East Indian Railway by 11 months in effecting reduction of rates. Actually it was behind by only 6 months, as in November 1931 this Railway enforced minimum schedule rates and withdrew all special rates. The rates in force on this Railway were lower than on the East Indian Railway, and the scope for reduction was limited, and cautious investigations had to be made to see what was practicable. This took longer than was anticipated."

44. *Sir Ernest Burdon :* What does the Railway Board think about it?

Mr. P. R. Rau : We think the explanation of the Eastern Bengal Railway may be accepted.

Sir Guthrie Russell : Changing of rates is a complicated matter. You cannot do it by a stroke of the pen. You can reduce the rates by 20 per cent. by a stroke of the pen but it is not a very scientific method. Our schedule is a pretty complicated business. I do not think six months is an unreasonable delay.

Sir Ernest Burdon : It took six months longer than the East Indian Railway.

Sir Guthrie Russell : It says, behind by only six months

Mr. B. Das : The Eastern Bengal Railway have their Head Office in Calcutta.

Mr. P. R. Rau : On the East Indian Railway they had an Officer on Special Duty for that purpose.

Mr. B. Das : The Eastern Bengal Railway is not in any antiquated town. Its Chief Engineers, etc., live in towns like Calcutta and they must know the conditions.

Mr. P. R. Rau : These rates are not for Calcutta only, but for all over the line.

Mr. B. Das : The Eastern Bengal Railway runs through a poorer locality and the rates must be lower.

Mr. P. R. Rau : The general rates in force on the Railway were originally lower than on the East Indian Railway and that is why scope for reduction was limited and they had to make investigations very cautiously.

Paragraph 5 (7) of Auditor General's letter and paragraph 161 of D. R. A's Report—Excessive Contract rates for paint work on the Eastern Bengal Railway.

Mr. B. Das : That point emerges better in the next paragraph.

Mr. P. R. Rau : We sent a memorandum* on that subject,—the paint question

Sir Guthrie Russell : The trouble is you must compare like with like and not two entirely different things.

45. *Mr. B. Das* : Are you in sympathy more with the Railway management than with the Director of Railway Audit—paragraph 161 ?

Sir Guthrie Russell : (To Mr Reddi) : Each district or section usually has a contractor or a number of known contractors and the cheapest and most convenient way is to use them for petty works. The rates are fixed by the Railway.

46. *Maulvi Sir Mohammad Yakub* : There are certain contractors who are always given the contracts and others are not considered at all.

Sir Guthrie Russell : That may be true in certain cases. I do not think it is true on the whole. If you have got a good contractor you will give the contract to him rather than to a man who is less reliable.

Maulvi Sir Mohammad Yakub : How can you know the reliability of the man unless you give him a chance ?

Mr. Ramakrishna Reddi . General reputation.

Maulvi Sir Mohammad Yakub . He must have some contract by which he can build up his reputation. Unless you give him work once or twice how can you find out his reliability ?

Sir Guthrie Russell : I have been an Engineer on a railway myself. Normally the Engineer has 3 or 4 contractors to carry out petty works, and they are men of good reputation.

Maulvi Sir Mohammad Yakub : We get all sorts of rumours about contracts.

47. *Mr. B. Das* : I want to draw attention to the conclusion of the Railway Board's note—that is the letter of the Agent, Eastern Bengal Railway,—I consider the language used there—I won't say unparliamentary—is not decent —“ The allegation that a loss of Rs. 0.5 lakhs has been incurred is groundless.” The Director of Railway Audit is an Officer of very high rank

and the Agent writes that "the allegation is groundless", as if he is writing to a subordinate.

Mr. P. R. Rau : He is writing to the Railway Board.

Mr. B. Das : Is that what the Railway Board are accustomed to from their subordinates ?

Mr. P. R. Rau : I do not see anything objectionable there. I think it is an expression of opinion which the Agent is entitled to make.

Mr. Ramakrishna Reddi . As a lawyer I can say that there is nothing objectionable in the word "allegation". We always use it.

Sir Guthrie Russell . Mr. Das, we have no objection to cutting out the last paragraph if you like

Mr. B. Das : It is a case of breach of good manners. The Government of India have got a high standard of decorum and the Director of Railway Audit is a very high official.

Mr. T. K. Rajagopalan . But the substantial objection remains that the revised methods were not adopted earlier and half a lakh saved.

Sir Guthrie Russell : It is really a matter of opinion whether a coat of oil is necessary. Personally if I were Chief Engineer I would never drop the coat of oil. It is much better to spend a little more money with the object of saving in the future.

Chairman . The truth or otherwise of the allegation will not be proved until 20 years' time ?

Sir Guthrie Russell : Not 20 years, but for some long time.

48. *Mr. T. K. Rajagopalan* . Certain methods were revised and the revised methods cost less. Either the revised methods were approved or they were not. If they were approved, why not adopt them earlier, and if not approved, why were they allowed to be adopted at all ?

The Hon'ble Sir Alan Parsons . Certain methods might cost less, but it is a matter of opinion whether they would be more economical in the long run. The Chief Engineers hold different opinions on the point.

Mr. T. K. Rajagopalan : I thought that the Railway Board had standardised those opinions.

The Hon'ble Sir Alan Parsons : I would be sorry if there were standardised opinions of that kind. It would lead to no improvement.

Mr. T. K. Rajagopalan : Use of paint on a bridge—I thought that would have lent itself to standardisation.

Sir Guthrie Russell : It depends entirely on the position of the bridge. Take a bridge in the U. P. You treat it differently from a bridge in Burma. Take the Vizagapatam Harbour, for instance. We got the opinions of two Engineers who disagreed with each other. Two Engineers have two different opinions and nobody can say who is right, except after a period of years.

Paragraph 5 (8) of Auditor General's letter and paragraph 162 of D. R. A.'s Report—Modification of the terms of an important contract.

49. *Chairman* . Paragraph 162 of the Audit Report—Modification of the terms of an important contract.

Sir Guthrie Russell : There was no modification of the contract. There was modification in the original tender terms. The original tender documents specified English cement to be supplied at a certain price, but the actual contract allowed Indian cement to be used.

Sir Ernest Burdon . This condition was relaxed in favour of the contractor when the total amount of the contract was not altered.

Sir Guthrie Russell : The original tender specified a certain rate. We had to accept the offer when the Contractor came along and asked that he should be allowed to use Indian cement. We agreed on general grounds.

Sir Ernest Burdon : The man was willing to do the whole job for a certain amount and he received in the end the same amount of money.

The Hon'ble Sir Alan Parsons : As far as I can recollect, none of the tenders were in fact accepted. The whole contract was done in the end on the basis of negotiations.

Sir Guthrie Russell : It was the only possible way of getting the work done in India. By doing this we had a saving of 6½ lakhs.

Chairman : In any case this was well within the ordinary rules of the Government of India for giving preference to Indian materials.

Sir Guthrie Russell : There was no preference in the sense that we paid more because we used Indian material.

The Hon'ble Sir Alan Parsons : In effect the action taken by the Railway Board was to reject all tenders and negotiate a contract with two firms. That is my recollection.

Sir Guthrie Russell : In his tender the contractor said that he was prepared to do a certain amount of work at rates quoted in the tender submitted. We had the Braithwaites and the Hindustan Construction Company up and we considered their rates to be reasonable for the work to be done.

50. *Mr. B. Das* : The only point I am concerned with is in regard to the audit comment "So far as Audit is aware, it does not appear that the reasons for this modification in favour of the contractor were placed on record by the Railway Board at the time." Did the Chief Accounts Officer supply the necessary information to the Chief Auditor or the Auditor General?

Mr. T. K. Rajagopalan : This matter was drafted by the Chief Accounts Officer. He was not aware of the reasons and then at a certain stage he passed it on to us.

Sir Guthrie Russell . In the Railway Board minutes at the time, it was decided that the contractor should supply his own cement.

Mr. B. Das : The point is whether the Chief Accounts Officer got a copy of that?

Sir Guthrie Russell : The Chief Accounts Officer for Indian Railways is the Financial Commissioner for Railways as the tender was accepted by him

and it was not within the province of the Chief Accounts Officer of the Burma Railways to raise the question at all.

Paragraph 5 (9) of the Auditor General's letter and paragraph 165 of D. R. A.'s Report—Excessive payment to a Contractor for earth work in connection with a construction project on the East Indian Railway.

51 *Mr. B. Das* : With regard to paragraph 165 (*D. R. A.'s Report*), the point that strikes me is how far the Chief Engineer was exercising his financial control in consultation with the Chief Accounts Officer. The Chief Engineer ought to have seen to it that the necessary deductions were made.

Sir Guthrie Russell . It was an act of God and could not be provided for beforehand.

Mr. P. R. Rau : We have now issued instructions to Railways about this matter, that they should have detailed data on record and that the conditions should be made precise. I think it is a dangerous principle to lay down that irrespective of what may happen the contractor should only get the stipulated amount. The contractors would naturally want to protect themselves and keep a substantial margin in every tender and the cost to railways would increase.

Sir Ernest Burdon . Paragraph 160 is a case in which it would have been advisable for the Railway Board to take their Auditors more into their confidence in regard to the details of this negotiation, and as regards the other case which we are now discussing, it seems to me that there was a certain amount of obscurity in the contract.

Mr. P. R. Rau : That is so.

52 *Maulvi Sir Mohammad Yakub* . May I know whether the sanction of the Railway Board was obtained for this extra demand of Rs. 15,000.

Sir Guthrie Russell : No.

Maulvi Sir Mohammad Yakub : Was it not necessary ?

Sir Guthrie Russell : I do not know what the size of the contract was. Agents are allowed to go up to five per cent. in excess. That is the reason why it never came up to the Railway Board.

Maulvi Sir Mohammad Yakub . Very often I find that in such cases the man responsible for the loss leaves the country.

Paragraph 169 of D. R. A.'s Report—A Contractor's claim for cost of supply of building materials for construction of a bridge on Burma Railways.

53. *Mr. B. Dass* : I see that in regard to paragraph 169, it has been decided that no disciplinary action is called for and the Audit Report says that the Assistant Engineer responsible or the irregularity is no longer in service.

Mr. P. R. Rau : We have drawn attention to this matter in a recent circular and pointed out that if an officer is suspected to be concerned in the irregularities, he should not be allowed to retire with his bonus and gratuity until his responsibility is ascertained and it has been decided that no disciplinary action is called for.

Mr. B. Das : What control is the Financial Commissioner exercising to see that these rules and regulations are properly observed by the Agent and the Accounts Officers of the different Railways. We had a similar case the other day. We were discussing the control that the Finance Department exercise for the payment of pensions. In many cases we find the officer vanishing after committing delinquencies.

Sir Guthrie Russell : Before any man is allowed to retire, a certificate has to be submitted that there are no debts due against him. You cannot withhold what a man is entitled to, unless you are suspicious that something is wrong.

Mr. T. K. Rajagopalan : The officer in this case retired long before the circular letter (rule Appendix XVII to P. A. C.'s Report for 1930-31, Part II) was issued. He retired in 1931 and the circular letter was issued in 1932. In future, I think it will be all right.

54. *Sir Ernest Burdon* : Before the payment is made to the man, you satisfy yourself that the man has got a clean record?

Mr. P. R. Rau : Yes. These irregularities did not come to notice till months afterwards.

55. *Mr. Sir Mohammad Yakub* : With regard to paragraph 169, we find that the Assistant Engineer who was responsible for this irregularity is no longer in service. Could not these materials be used elsewhere?

Sir Guthrie Russell : We have suspended all work.

Mr. P. R. Rau : This place is miles away from inhabited areas and I imagine that it is not worth transporting it to other places.

Mr. B. Das : Could we not draw attention to this case in our report? We have had a series of cases in which the Director of Railway Audit has drawn attention to a bad state of affairs.

Chairman : Unless the Committee is satisfied that there have been a sufficient number of bad cases, where loss of public money is involved, I do not know whether it is worth while to draw attention to the matter.

Mr. P. R. Rau : We have drawn attention to this matter in our letter (vide Annexure to Appendix XI to P. A. C.'s Report for 1931-32, Part II) and we have said that the Railway Board desire that steps should be taken to impress upon all the officers drawing up the contracts and making payments in connection therewith the desirability of taking great care to see that the terms of the contract are as accurately worded as possible and that payments which are not covered by the terms of the contract should not be made without a thorough examination and consultation with legal advisers, wherever necessary.

Chairman : Are you satisfied with this, Mr. Das?

Mr. B. Das : If the big bosses of the Railway Board are satisfied that sufficient control is being exercised, I am satisfied.

Paragraph 5 (10) of Auditor General's letter and Paragraph 178 of Director of Railway Audit's Report—Purchase of Stores.

Chairman : There is an increase of stores purchased in India.

56. *Mr. B. Das :* I am grateful to Sir Guthrie Russell for what he has done. The other day Sir James Pitkeathly paid a compliment to you for giving him more orders. I think you ought to apply the same pressure on Company-managed Railways as you do on State-managed Railways.

Sir Guthrie Russell : We are endeavouring to do so. This subject was discussed in the conference in March last. We cannot force the Company-managed Railways to do this under the terms of the contract. They have got full power to purchase stores themselves, but the general feeling among the Agents was that there was no objection to call for rupee-tenders as is done in the case of State managed Railways and that they were prepared to write to the Home Boards. They have recommended to the Home Boards that they should adopt the same procedure as we do. We can only do this by peaceful penetration.

57. *Mr. B. Das :* I see that the State-managed Railways have purchased a larger amount of stores in 1932-33.

Mr. P. R. Rau : For imported materials, you must take the two items together, those purchased abroad and those purchased in India. You must add the two.

Mr. B. Das : There are certain things for which no rupee-tenders have been called ?

Sir Guthrie Russell : There will be rupee-tenders for locomotives now.

58. *Mr. B. Das :* The policy of the rupee-tenders should be carried out by every department.

Mr. P. R. Rau : We have issued circular letters on this point.

Paragraph 181 of Director of Railway Audit's Report—Shortage in the supply of steel work required in connection with an open line project on the Madras and Southern Mahratta Railway.

59. *Maulvi Sir Mohammad Yakub :* Why was no action taken against the persons who were responsible for checking the materials ?

Mr. P. R. Rau : What happened in this case is that on the Madras & Southern Mahratta Railway there was no such order fixing the responsibility upon the person who took delivery of it. After considering the circumstances of the case, the Railway Board thought that steps should be taken to do that and they have so advised all Railways in India. In future we can take action against such officer, but for the past, in regard to which there was no such practice in force on the Railways, it was rather difficult.

Captain Sher Mohammad Khan : Surely somebody should be held responsible for that ? We are all probably aware of the recent case of gold despatched from Amritsar.

Chairman : There must be certain checks the imposition of which will act as an insurance against loss ?

Sir Guthrie Russell—You can only put a low paid man on it—a clerk, a goods clerk, or something like that. If he is receiving a very large number of technical stores—as in this case, comprising many thousands of pieces, well, he gets the railway invoice and he checks it—and he makes a mistake, and it is very hard to make him find the cost of the materials lost.

Chairman—Then the only means of ensuring no loss is to employ a highly-paid man?

Sir Guthrie Russell—Yes.

Paragraph 5 (II) of Auditor General's letter and paragraphs 10-20 of Director of Railway Audit's Report—Revaluation of Stores

Chairman—Stores account, page 93 (*Appropriation Accounts*).

Mr. P. R. Rau: So far as this particular item is concerned Mr. Mitra will explain the position to the Committee now.

Mr. B. N. Mitra—The details are—Rs. 29,000 are losses due to transfers of sales of stores to scrap as obsolete, losses on sales Rs. 6,11,000, losses due to other book grants Rs. 15,000, losses due to leakages Rs. 90,000, etc., and then there are two items in connection with certain losses prior to re-organization of the Stores Department.

60. Chairman: Can you give us off-hand what relation to the total is 29½ lakhs? What is the total value of the stores on hand?

Mr. P. R. Rau—For the East Indian Railway it was 2 crore + 8 lakhs—closing balance of the year.

61. Mr. B. Das—Mr. Mitra, I would like to know a little more about the re-organization of the E. I. R. stores Department. I believe the re-classification and nomenclature of these stores was still to be carried out? Has it been completely done?

Mr. B. N. Mitra: That was in 1932. Since then, as far as I am aware everything was done shortly afterwards I think.

Sir Guthrie Russell: If you will come to my office, Mr. Das, I will show you the East Indian Railway price lists, to show you what has been done. I think these have been completed.

Mr. B. Das—Mr. Rajagopalan, the re-organization of the E. I. R. stores is complete from the audit point of view?

Mr. T. K. Rajagopalan: My information is that it is complete. There will be some further writes off in the next Appropriation Report.

62. Chairman: Is there a revaluation every year?

Sir Guthrie Russell: There is supposed to be, as far as possible. Every Company has the power to write up, except I believe the B. B. & C. I. If you insist on their writing down, immediately the prices rise, the Company-managed Railway would write the stores up, which would mean credits to revenue and affect the surplus profit account.

Mr. P. R. Rau: We are discussing this with Railways this October. We have generally a system by which prices of items of stores used

frequently are automatically re-valued when there is a difference between average rates on the books and the actual market rates of more than ten per cent, and in the case of stores not frequently used we usually have a survey every two years or thereabouts as to what stores should be treated as surplus and, if necessary, dispose of them at whatever rates they can command. I may say our stores balances are down to ten crores now.

Mr. B. Das : I congratulate you on that, because I knew them before at 21 crores and 21 crores,—partly, however, I think due to fall in prices

63 *Chairman* : Do the 21 crores given relate to quantities or values ?

Mr. P. R. Rau . Values, partly also this is due to the fall in prices.

Mr. B. Das . You have to be careful with the N. W. R.—they are still fairly high. They require careful watching.

Sir Guthrie Russell . The N. W. R. is rather different from the other Railways. They have got to hold larger stocks of stores because they are more isolated. Their stores balances will never come down to the same extent as railways with headquarters situated near the ports.

Paragraph 5 (12) of Auditor General's letter and paragraph 211 of D. R. A's Report—Exhibition separately in the Appropriation Accounts of figures for ordinary stores, stores for special works and surplus stores.

64. *Chairman* : Paragraph 211, end of page 85 of the Report. Can you give an estimate of the establishment costs ?

Mr. P. R. Rau . It would not amount to very much because the Railway Board receive these statements every year now and it is only a question of printing them in the Appropriation Accounts in a particular way. It is quite easy.

Sir Ernest Burton : I think it is desirable to have it shown separately.

Mr. P. R. Rau . We will do that.

Paragraph 5 (13) of Auditor General's letter and paragraphs 244 and 250 of D. R. A's Report—over payments to establishment on the East Indian Railway and the Eastern Bengal Railway.

65. *Chairman* : Paragraphs 244 and 250 of the Audit Report

Mr. P. R. Rau : We have referred to this in our general letter (Appendix III) to Railways in connection with this Report and asked Railway Administrations to take special care to see that orders issued are properly studied and correctly applied by the staff concerned. In these two cases, so far as I can see from the papers, it is probably due to a genuine misunderstanding of the orders. The East Indian Railway did not make deductions on account of the emergency cuts and in July 1932 it was referred by the Agent to the Railway Board for a ruling and we issued a ruling in August, but apparently owing to a mistake on the part of the particular clerical staff, no orders were actually issued to give effect to the Railway Board's orders until November 1932.

Chairman : Page 105, first part of the Audit comments. Your explanation does not dispose of the first part of the Auditor's comments.

Mr. P. R. Rau : As regards the delay in communicating the orders to others, the decision was communicated to the N. W. R. where the question

arose. Till November 1932 the Railway Board had no reasonable doubt that their orders on the subject of the emergency cut were not being correctly applied on all Railways and, therefore, they did not think it necessary to endorse a copy of their decision to other Railways. When subsequently it was brought to notice that there was a misunderstanding, they forwarded the letter to the other Railways.

It would probably have been better if we had communicated it to all the Railways in the beginning.

66. *Mr. B. Das* : What was the Chief Accountant of the Railway doing? He passed these bills?

Sir Guthrie Russell : For the past two or three years I have had a great deal of sympathy with the Heads of Departments. These were times of all-round retrenchment; orders were issued about cuts in pay and many other economies—it was very easy for a Chief Accounts Officer to slip at. There had been mistakes made, but on the whole taking everything into consideration the Railways have done well.

67. *Maulvi Sir Mohammad Yakub* : Was any effort made to find out who actually was responsible for the delay in communicating the Board's orders?

Mr. P. R. Rau : Some petty clerk of the East Indian Railway. The Railway Board's letter, I understand, was on receipt sent to the central typing section and after that being typed it was returned to the dealing clerk to be submitted to the officer concerned for signature. This clerk mislaid both the original letter and the copies and the mistake was not discovered by him until the receipt of the second letter of the 1st November 1932. The question of disciplinary action against other people does not arise, but, so far as that man was concerned, they did take some disciplinary action against him.

Chairman : I have a little sympathy with the Agent, if he gives instructions that a certain thing is to be done and those instructions are not carried out. Well, I suppose, he has to issue hundreds of instructions and he cannot carry them all in his head.

Appendix II—New Service.

Sir Ernest Burdon : I have stated the facts of certain cases in regard to which a question may be conceived to arise. It is for the Public Accounts Committee to say if they wish to regard the items to be considered as items of New Service. It is a matter for future guidance.

Chairman : It is purely an accounting question.

Sir Ernest Burdon : It is really a question of Parliamentary control. It is a question of what are the categories of cases in which when no provision is made in the Budget no expenditure should be incurred until the vote of the Assembly has been taken. It is the English practice that we apply here.

Mr. B. Das : My view is that these items should be treated as 'new services' and there should be an excess grant for them. That would be the proper way and we have established precedents to that effect.

68 *The Hon'ble Sir Alan Parsons* : As far as I understand, if this is a new instrument of service, that would apply to any protective works which had to be undertaken in a year for which there was no provision in the budget, and, therefore, I presume that it is only because the expenditure was of a certain magnitude that you claim it to be a new service. I think the then Financial Commissioner and the then Auditor General were both entirely opposed to the decision.

Sir Ernest Burdon . The then Auditor General is the present Auditor General.

The Hon'ble Sir Alan Parsons . I would like to suggest to this Committee that they should reconsider that decision.

Mr. P R Rau . After the Kadu Lake decision, the Committee recommended a special sum to be granted by the Assembly for emergencies at the discretion of the Railway Board. But the latest decision is that even if we use that sum, we must bring it up before the Assembly later on as a supplementary grant.

Sir Ernest Burdon : If you read paragraph 3 on the second page of the Appendix you will find that the whole of the issue involved is put there in a nutshell.

The Hon'ble Sir Alan Parsons : It is purely wasting the time of the Assembly.

Chairman : The English parliamentary financial system is the one where Parliament has more control than in any other country of the world and I am quite certain that both these cases according to English practice would not be regarded as ' new services '.

Mr. T. K. Rajagopalan : The mention of the words " New Instrument of Service " is entirely Indian and it is entirely opposed to English practice.

Sir Guthrie Russell : By no stretch of imagination can any of these cases be considered as a ' new service.'

Chairman : I should have thought that the requirements of Parliamentary control were amply satisfied if these items appeared in the following year's estimates.

Mr. P. R. Rau : Both these cases were brought before the Assembly as estimates and the Assembly sanctioned them. This may be considered to have automatically regularised the previous year's expenditure.

69. *Sir Ernest Burdon* : One other thing I should like to raise is whether it is really necessary to continue this practice of requiring the Auditor General to produce a memorandum of doubtful cases of new service. The practice was only initiated in order to build up a certain amount of knowledge about this particular subject. The Central Public Accounts Committee is the only Public Accounts Committee that requires anything of this kind. None of the other Public Accounts Committees requires the same thing in the Provinces. All my Principal Auditors (Provincial Accountants-General and others) have got the fullest instructions as regards the treatment of items of new service.

Chairman : There are two points. The first is whether the Committee are prepared to reverse the view of an earlier Public Accounts Committee. The Auditor General being of the opinion that the previous decision was not a correct one. The other point is whether, in view of the fact that the Auditor General is being charged definitely with the duty of calling the attention of the Committee to cases where new services have been embarked on without specific sanction, it is necessary for us to build up this volume of doctrine.

70. *Mr B. Das* : May I respectfully submit that this decision of the Public Accounts Committee was taken in 1929 (*vide* paragraph 31 of P. A. C.'s Report on 1927-28 accounts) and it was after a long discussion that we came to that decision. Before we reverse that particular decision—and I may say that up till now we have never reversed any decision—I would like to examine the views expressed by Sir Ernest Burdon and others at that time. I do not know why we came to that decision.

Sir Ernest Burdon : It was only intended, as I explained, to be a temporary expedient and it was to be discontinued—in any case after a few years. It is not in accordance with the Audit practice or parliamentary practice in any country to have a memorandum of this kind. So far as the experience of myself and of my Auditors goes, this has become, from our point of view, superfluous. In this connection, I would like to draw the attention of the Committee to one other aspect of the matter. Even the extremely small number of cases that it has been found possible to mention in this memorandum in each year have been of a very dubious character. My contention, therefore, is that this expedient may be dispensed with and the Public Accounts Committee may safely rely, in my opinion, on the ordinary procedure of Audit.

71. *Chairman* : Mr Das, would you be satisfied with that, namely, that the Auditor General's memorandum calling attention to doubtful cases of 'new service' should be discontinued? Of course, he will call attention quite definitely to cases where he is clear in his own mind.

Sir Ernest Burdon : All my Principal Auditors throughout India have got most meticulous instructions as to how to identify cases of 'new service' and what they have got to do. Not only here in the case of the Central accounts, but also in the case of Provincial accounts which I review every year, it is very remarkable how very few cases of this kind arise at all. This indicates very great regularity on the part of the administration. There is one thing which I can say quite confidently and that is that the greatest trouble is taken to consult the Legislature.

Chairman : Does that meet the general view of the Committee, namely, that this list of doubtful cases should be discontinued and that we need not formally reverse the decision of the previous Public Accounts Committee?

(The Committee agreed to this proposal.)

I take it that we are called upon to express an opinion on these two cases. My own view is that they are quite definitely not new services.

Sir Ernest Burdon : As I said, I think your decision might well take the form of leaving it to the discretion of the Auditor General to bring these cases to

notice in future either through the ordinary medium of Audit or through a separate memorandum as he may think fit.

(The Committee agreed.)

Mr. P. R. Rau : May we then act on the assumption that these two cases are not to be considered as ' new service ' ?

Chairman : That is my impression.

Sir Ernest Burdon : Quite definitely, I would not regard them as ' new service '.

The Committee then adjourned till 11 A.M. on Thursday, the 5th July 1934.

Meeting taken at the Tenth Meeting of the Public Accounts Committee held on Thursday, the 5th July 1934, at 11 A.M.

PRESENT

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Rao Bahadur M. C. RAJAH.

Mr. T. N. RAMAKRISHNA REDDI.

Mr. K. UPPESAHIB BAHADUR.

Kunwar HAJEE ISMAIL ALIKHAN

Mr. B. DAS.

Captain SHER MOHAMMAD KHAN

Maulvi Sir MOHAMMAD YAKUB

Dr. R. D. DALAL.

Sir ERNEST BURDON, Auditor General.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. T. K. RAJAGOPALAN, Director of Railway Audit.

Sir GUTHRIE RUSSELL, Chief Commissioner of Railways.

Mr. P. R. RAU, Financial Commissioner, Railways

Mr. T. S. SANKARA AYYAR, Director of Finance, Railway Board.

Mr. B. N. MITRA, Controller of Railway Accounts.

Members.

Were also present

Witnesses

Appendix XII (P. A. C.'s Report on 1931-32 Accounts, Part II) — Financial results of Bombay Electrification Schemes.

72 *Mr. B. Das.*—I should like to know from the Director of Railway Audit whether in this Appendix he has not rather gone back on the views that were expressed at the meetings when we were discussing the accounts of 1930-31. We have never agreed with the Railway Board about the utility of electrification project or that it would bring in any savings to the Railways although Sir Guthrie Russell differs from us. He said a lot of savings would accrue to the Railways from electrification. The report of Mr. Nixon produced in 1930-31 and the present year's report seem to me to be very contradictory.

Mr. T. K. Rajagopalan.—I do not think there is any substantial measure of contradiction.

Sir Guthrie Russell.—The present report is an agreed report between the Chief Accounts Officer, G. I. P. Railway, and the Chief Auditor, as far as I know.

Mr. B. Das.—But there is something wrong somewhere.

Sir Guthrie Russell.—The Public Accounts Committee asked for an agreed report and you have got it.

Mr. B. Das.—True ; but the Director of Railway Audit was full of suspicion, or rather he was in agreement with the views so often expressed in the Legislature.

Mr. P. R. Rau.—He was full of suspicion before he made an exhaustive enquiry, but when he made the enquiry, he gave us his results in this report and he has agreed with the Agent and with the Railway Administration generally.

Mr. T. K. Rajagopalan.—I do not think it is correct to say that the Director of Railway Audit was ever full of suspicion.

Mr. P. R. Rau.—I only quoted Mr. Das.

Mr. B. Das.—Even Mr. Badenoch, when he was in this Committee, expressed the view that it was very wrong to come to a sudden decision and that it would take years to arrive at some agreed view. Within the course of one year, we see that both sides have agreed and the comments of the Legislature have been completely ignored.

Sir Guthrie Russell.—If we had not done the electrification then, it would have had to be done later on say five years hence. You could not have postponed electrification in Bombay. If you had postponed electrification on B. B. & C. I., they would have lost a tremendous amount of passenger traffic and motor-bus traffic would have been established by now. The B. B. & C. I. could never have carried their suburban traffic without electrification nor could the G. I. P.

73. *Mr. B. Das.*—I do not see any Member of the Public Accounts Committee from Bengal present here. I can say there is a great clamour from Bengal to electrify the Calcutta-Asansol line.

Sir Guthrie Russell.—At the present moment, the Calcutta electrification scheme has not been undertaken.

74. *Mr. B. Das.*—The Legislature and the Finance Department should be more careful, when giving sanction for further electrification, than they were in 1925. However, my charge remains the same, that the estimate of the Consulting Engineer went wrong and the Director of Railway Audit is silent over it, how it went wrong and whether it was necessary to go wrong. I do not see why there should be such a variance between the first estimate and the second estimate, especially when there was an Indian Electric Company, the Tatas, who were supplying energy at quite favourable rates.

Sir Guthrie Russell.—The negotiation with Tatas did not materialise and so we decided to build our own Power House. It was impossible to come to a suitable agreement with Tatas and that was why the Power House was built.

75. *Mr. B. Das.*—Your cost for generation per unit has gone up much more than the Tatas ?

Mr. T. K. Rajagopalan.—That is not right.

Mr. B. Das.—Please refer to Mr. Nixon's report.

Chairman.—On the cost of electrification in G. I. P. you saved 3.5 per cent.

Sir Guthrie Russell.—On the gross capital cost.

Mr. P. R. Rau.—On the net it was 5.7.

Sir Guthrie Russell.—There were a large number of locomotives released on both lines. We sent 92 locomotives from the G. I. P. to other Railways and a large number of locomotives were used in other services on the G. I. P. itself, and within the next few months we would be sending 40 or 50 more to other Railways. We have saved the purchase of at least 140 new locomotives for other Railways and on the G. I. P. itself it is probable we have saved the purchase of 50 or 60 new locomotives. For example, the locomotives that were used on the Ghat section were transferred to Barkera Ghat near Bina. If we had not had this electrification, probably we would have had to buy new locomotives and, similarly, if we had not transferred some locomotives to other Railways, we would have had to purchase new locomotives for these Railways also.

Chairman.—The first set of figures includes both the saved and the transferred locomotives and the second excludes all those.

Sir Guthrie Russell.—Actually when this memorandum was put up before me, I hesitated before I accepted it as I thought it was understating our case when we said that the figure was somewhere between these two.

Chairman.—The Director of Railway Audit says it is nearer the first.

Mr. P. R. Rau.—We have just heard from the B. B. & C. I. that since we wrote this memorandum they have noticed that the figures include certain expenditure which should not be taken into account for a proper comparison of the actuals with the estimates, *i.e.*, wages and overtime of guards and expenditure on electric battery locomotives at Carnac bridge. They have sent a revised estimate, checked by the Government Examiner, showing the results as they should be. It will be seen from this statement that the figures of percentage of net savings on net outlay for the two years, 1930-31 and 1931-32 are 10.35 and 10.96, respectively, against 6.26 and 8.28 shown in the original statement. This result has been accepted by the Director of Railway Audit.

Chairman.—I imagine most of these electrification projects were undertaken when borrowing was very expensive at six per cent. So on the G. I. P. these figures show that electrification has not yet paid its way.

Mr. P. R. Rau.—Yes, not yet.

Chairman.—On the B. B. & C. I., it has paid if you take two-thirds of this.

Sir Guthrie Russell.—The actual position was that we had to do something to meet the needs of traffic.

Mr. P. R. Rau.—Quadrupling the lines in Bombay would have meant enormous sums of money.

Sir Guthrie Russell.—We could not have run the B. B. & C. I. by steam.

Chairman.—It is only from the financial point of view that you are worried on the G. I. P. results.

Mr. B. Das.—Arising out of Mr. Nixon's report, about the transfer of locomotives, Mr. Pope has raised that issue particularly and we may take

it up later on. But the fact remains that 40 locomotives remained idle and they could not be used on the branch lines.

Sir Guthrie Russell.—Up to the present moment 92 locomotives have been released owing to electrification and they have been transferred to other Railways, and fifty more are going to be released within this year and the G. I. P. itself has utilised another 50.

Mr. B. Das.—That particular type of branch line locomotive which were released could not be used in the main line. That was the comment made in that year.

Sir Guthrie Russell.—There were no branch line locomotives released by electrification at all.

76. *Chairman.*—How much apart from the rolling stock is your present equipment capable of bearing an increased load if traffic does increase ?

Sir Guthrie Russell.—By putting in one additional generator in the power house at Kalyan, we can take both the suburban and the main line load and we can reduce our costs by about 2 anna a unit. If the full load is taken for G. I. P. and B. B. & C. I. we may get down to .3 anna per unit, possibly lower, depending on the volume of traffic.

Chairman.—It means that this power house is the cheapest producing unit in the world.

Mr. B. Das.—The Consulting Engineer did not conceive that it will bring .3 per unit.

Sir Guthrie Russell.—It is only the G. I. P. main line load that the power house takes. We have got a contract with the Tatas up to 1937 for the suburban load.

Mr. B. Das.—As regards these 'XA' type locomotives that were released by electrification.....

Sir Guthrie Russell.—These have nothing to do with electrification.

77. *Mr. B. Das.*—They were released from suburban traffic.

Sir Guthrie Russell.—A certain number of locomotives were released but not 'XAs'.

Mr. B. Das.—When you electrified the line, some locomotives were released.

Mr. P. R. Rau.—'XA' locomotives were meant for branch lines.

Sir Guthrie Russell.—They were never used for suburban lines. 'XA' locomotives came in after the suburban electrification was completed.

Mr. B. Das.—But the report of Mr. Nixon says that 40 locomotives were lying idle and they could not be used.

Mr. P. R. Rau.—That has nothing to do with electrification at all.

Mr. B. Das.—My own impression is that the intention was to use these locomotives elsewhere, but you could not do so.

Sir Guthrie Russell.—The 'XA' locomotives have been used between Jhansi and Delhi because of weak bridges but the relaying of these sections and the strengthening of the bridges will be completed within the next

year and thereafter these locomotives will be put on the branch lines releasing locomotives which are 45 or 50 years old. This has nothing whatever to do with electrification.

Mr. B. Das.—During the meeting of the Public Accounts Committee on 5th November 1932, Mr. Mitra asked “ Were these ‘ XA ’ types new designs or based on some older designs ? ” Your reply was

“ It was absolutely a new design. These locomotives were built for speed up to 40 miles an hour but they were also thought to be able to do up to 60 miles, but for various reasons these locomotives instead of being used on branch lines had to be used on main lines.”

Sir Guthrie Russell.—That is perfectly correct. That has nothing to do with electrification.

Mr. B. Das.—They were not meant to run on the suburban lines ?

Sir Guthrie Russell.—The suburban lines were electrified before these locomotives came into this country. The first suburban section—the Harbours Branch—was opened in 1922 or 1923 and other sections were opened within the next two years and these locomotives came out to India about 1926-27.

Mr. B. Das.—You are utilising these locomotives now ?

Sir Guthrie Russell.—They are being utilised now.

Mr. B. Das.—Audit thought that you have brought the two cases together.

Sir Guthrie Russell.—They had nothing to do with each other.

78 *Mr. B. Das.*—As regards the conclusion in paragraph 18, which both Audit and the Railway Board have come to, I respectfully differ from the conclusions they have come to. They say :

“ The difference between the return on gross capital outlay as estimated by the Consulting Engineers and that arrived at on the figures for 1930-31 is 2.72 per cent. This is more than accounted for by the fall in traffic—2.6 per cent.—and reduction in cost of coal for steam working approximately—0.8 per cent., total 3.4 per cent.”

Sir Guthrie Russell.—Actually when the electrification system was prepared, the price of coal at pitmouth was Rs. 7-8-0 to Rs. 6-8-0 and now the average price is Rs. 3-4-0.

Mr. B. Das.—What is the net financial result ? I only see this mutual certificate from Audit to Railways and from the Administration to Audit.

Mr. P. R. Rau.—This shows that if the fall in traffic had not supervened, we would have got what we expected.

Sir Guthrie Russell.—You cannot blame the Consulting Engineers. They can only be held responsible for the Capital cost. They were supplied with the estimates of traffic. In fact, the estimate of Merz & Partners were exceeded by under five per cent. of the total.

Mr. B. Das.—The fact remains that the unit changed from 8,000 kwts. to 10,000 kwts. within one year.

Sir Guthrie Russell.—They based the size of the generating units on the traffic to be carried.

Mr. B. Das—You will admit that we shall have to blame the G. I. P. for being over-sanguine in their traffic receipts.

Sir Guthrie Russell—If anybody is to be blamed it is the G. I. P.

Chairman.—I suppose electrification makes the passenger traffic greater.

Sir Guthrie Russell.—And goods traffic too.

Mr. T. K. Rajagopalan.—In the suburban line it is passenger traffic, and in the main line it is goods traffic.

79. *Chairman*.—So far as the traffic returns on the Railways are concerned, they are considerably better than last year ?

Mr. P. R. Rau.—About a crore better in three months.

Chairman.—You cannot arrive at any final conclusion until you see the next year's figures. It is quite conceivable that next year's figures may satisfy Mr. Das that the results are not too bad.

Sir Guthrie Russell.—We can give the Public Accounts Committee revised figures.

Chairman.—What is evident at the present moment is that G. I. P. is not paying because it has got a very heavy rate of interest to pay on the capital borrowed. The B. B. & C. I. is paying.

Mr. P. R. Rau.—The B. B. & C. I. is mainly suburban and that is why it is paying.

Chairman.—So you cannot get final conclusions until a year or two more.

Sir Ernest Burdon.—Yes.

Chairman.—What strikes me is that, taking the Railways as a whole, they are paying at the moment. Over last year's budget it is 3.1 per cent. on the capital and even G. I. P. is paying that much on the electrification scheme, so that those results are better than the general average results on the Railways.

Sir Guthrie Russell.—That is, taking the gross capital expenditure and not allowing for any credit it is 3.58.

Mr. P. R. Rau.—That is better than the general results of the Railways.

Chairman.—I think we had better wait till next year.

80. *Mr. Ramakrishna Reddi*.—What about South Indian Railway electrification ?

Sir Guthrie Russell.—That pays hand over fist. The suburban traffic in S. I. R. has increased 100 per cent. since electrification.

Mr. B. Das.—The Bombay traffic in G. I. P. would have paid but for the fact that the Back Bay scheme has not materialised.

Sir Guthrie Russell.—We prepared our estimates on the basis that the Bombay Development Scheme was going to work wonders. We did not take into account the possibility of the Scheme falling through.

Mr. B. Das.—I am afraid I am not one of those who believe that within the next two or three years the traffic will suddenly increase and the Railways will get very large revenues.

Chairman.—If you mean spectacular change, I think it is not likely. I think it is not very unfair to estimate a gradual improvement in traffic and even a small improvement will shove this on over to the right side of the fence. I agree that the spectacular revivals, which some people hope for, may not materialise. I think a gradual helpful revival is much better. I am afraid any spectacular revival will result in a smash after a few years.

Mr. B. Das.—The fact is that the Members of the Public Accounts Committee took the opposite view as regards this electrification, and we still adhere to this view and we told you so.

Mr. P. R. Rau.—In spite of all the facts to the contrary ?

Mr. B. Das.—But the facts are there.

Chairman.—The Public Accounts Committee is not justified in coming to this conclusion, but the Members are quite right in examining a project of this kind with extreme caution and care. At the present moment, I do not think you can say "I told you so".

Sir Ernest Burdon.—Separate accounts are not maintained of this particular undertaking. It is merged in the general account of the undertaking as a whole.

Sir Guthrie Russell.—If necessary, we can get this extracted. There is not much trouble.

Chairman.—Unlike the other statistics that we decided to abandon, it seems necessary to continue this for next year. If the Committee wants to put in something in the report, I suggest that you can reasonably put in a short summary of what these figures mean that the suggestion that the figures should be continued for the next two or three years.

Mr. B. Das.—Without giving any certificate to the Railway Administration that things have come as was anticipated.

Sir Guthrie Russell.—Taking the altered circumstances into account, the Consulting Engineers were absolutely correct.

Mr. B. Das.—As the facts stand, the Administration was wrong.

Sir Guthrie Russell.—The assumptions were over-optimistic.

Sir Ernest Burdon.—Mr. Nixon has written nothing which he does not believe to be true.

Mr. B. Das.—I entirely agree with Mr. Nixon, but here in the Committee we have to compromise things.

Sir Ernest Burdon.—I entirely refuse to compromise on a matter which we regard as an audit fact, compromise is possible in matters of administration, not in matters of audit.

Summary of Results of Working of Indian Railways for 1933-34.

81. *Mr. B. Das.*—I now refer to the pink book—Results of working of Indian Railways for 1933-34. Yesterday I was mentioning that the reports do not give some of the statistics that are given in this advance report, particularly this Appendix C, and I think this may be included in the Financial Commissioner's report next year because the mileage and traffic receipts are given here.

Chairman.—In the Financial Commissioner's Review for 1933-34, could you put in these statistics which are given in this pink book ?

Mr. P. R. Rau.—We could not give the approximate figures for the next year but we could give the figures for the previous year.

Mr. B. Das.—I want these figures up to the year under review.

Mr. P. R. Rau.—That could be done.

Mr. B. Das.—If a traffic analysis is given it gives us a chance to see how the Railway Administration is working.

Sir Guthrie Russell.—Most of these statistics are in the Administration Reports.

Mr. P. R. Rau.—At the same time we can easily copy them and bring them all together in the Review.

Mr. B. Das.—I am under the impression that we are going back to pre-war conditions. From this analysis that you have given here as regards passenger traffic, passenger mile and all that, I do not think you will again have the hectic days of 1927-28.

Sir Guthrie Russell.—Regarding passenger traffic, I am afraid I must agree. We are at present losing about a crore and a half on account of motor traffic.

82. *Mr. B. Das.*—I should like you to look at items 13 and 18. In item 13, the rate was 2.42 in 1913-14 and now it has come to 3.64. About goods (item 18) it was 4.61 in 1913-14 and now it is 6.08. I do think this is a rather saturated rate.

Sir Guthrie Russell.—On the North Western Railway we have reduced all our third class fares, this experiment started five months ago. Actually up to date, the passengers carried have increased by about 11 per cent. and our earnings have gone down by about 2 per cent. But at present each week these figures are improving. We have done the same thing on the G. I. P. and reduced their fares since the 1st April and if this Railway also shows an increase in the earnings we will consider reducing the fares on all the State Railways. On the Eastern Bengal Railway we have introduced third class return tickets. That is an experiment on which we may gain money or lose money.

Chairman.—Do you want, Mr. Das, that the freights should be reduced also ?

Mr. B. Das.—I want that also, but my point at present is that these tables show that the rates are so high that they falsify the remarks of retired officials from India that the rates and fares on Indian Railways are very low.

Sir Guthrie Russell.—The general level of rates and fares in India is the lowest in the world except, I think, Switzerland. And the operating costs have increased tremendously since the War. The only thing that has gone down is coal.

83. *Mr. B. Das.*—But I maintain that the time has come, apart from Mr. Pope's report, for a general reduction of the scale of salaries all over the Railways.

Mr. P. R. Rau.—We have reduced the salaries for new entrants not only in the superior services but every Railway has reduced its rates for subordinate staff as well.

Mr. B. Das.—But I think we should have a committee of Railway officials and even trade unionists to consider whether it is not time to revise the standard of living of the wage earners and to see what wages the Railways can bear. I think the time has come when not only wages should be lowered for the general wage-earners but also of the superior staff.

Sir Guthrie Russell.—I am sure Mr. Rau will bear me out that for the superior staff, at any rate, the cost of living has not gone down. For instance, in pre-war days the income-tax in India was negligible but it is very heavy now for the superior staff in many cases even heavier than in England.

Mr. B. Das.—I am only pointing out what strikes me as a direction which should be explored—to give an economic wage that the particular commercial department can bear.

Chairman.—That is one of the unsolved questions all over the world, how to adjust wages to profits, but I think that is going very much beyond the accounts for 1932-33.

Mr. B. Das.—I am only asking the Managing Director of Railways to explore this avenue because he has to produce a balanced budget and show a profit.

Sir Guthrie Russell.—If you produce a balanced budget by reduction of wages on the Railways, you would have a strike which would cost you more in the end.

Mr. B. Das.—But the fact remains that our rate in pies per passenger mile or per ton mile is at present very high compared to the pre-war rates.

Mr. P. R. Rau.—But did you notice in item 4 (Summary of Results) that our working expenses are double the working expenses of 1913-14?

Mr. B. Das.—That has been always my complaint that the working expenses are too high and should be reduced. This point is in the Pope report but that has only touched the fringe of the subject.

Sir Guthrie Russell.—If we see any chance by reduction of rates and fares of getting an increased traffic, we take it every time. That is under constant examination; but there is no use at the present time reducing the rates and fares if we are going to lose money over it.

Chairman.—As far as the present position is concerned, apart from the past liabilities, the estimate this year for the deficit was about 5 crores, and if the results of the first three months are any indication it will be much less than 5 crores which may mean that the Railways will be paying next year, if not enough to meet all their liabilities, at least their current liabilities.

Sir Guthrie Russell.—Yes, I do think we are definitely on the upward grade.

84. *Mr. B. Das.*—I wish I could be so sanguine as that.

Now turning to page 19, Appendix D (*Statement of cost of repairs and maintenance of Rolling Stock of Class I Railways*) I find that the figures for some of the Railways are rather very high.

Sir Guthrie Russell.—One reason why the G. I. P. and the B. B. & C. I. are fairly high is that the wages paid to the workmen in Bombay are higher than anywhere else in India.

Pope Committee's Reports of February 1933 and February 1934

85. *Mr. B. Das.*—On page vii of the first Report Mr. Pope remarks :

“ Reference has been made in the Legislative Assembly to the proposed appointment of an “ Expert Committee ” to follow on the work done by the Committee under my Chairmanship. In my view, no new Expert Committee is required ”

I wish to point out that it is not the Assembly's fault. Government themselves announced this Expert Committee and the Railway Member also harped on that. So this remark of Mr. Pope seems rather a reflection on the members of the Legislature.

Sir Guthrie Russell.—I do not think Mr. Pope intended that. In any case, the Government of India did their best to get an Expert Committee. They approached Sir Josiah Stamp and some other people in England, but nobody offered to come except Sir Henry Thornton but we did not accept him. And it was Sir Josiah Stamp who suggested Mr. Pope.

Chairman.—I think the word “ proposed ” refers to somebody else and no reflection is intended to be made on the Assembly.

Sir Guthrie Russell.—The first report of Mr. Pope suggested, that the two main sources of economy were a more intensive use of locomotive power and possible amalgamations. Mr. Pope himself told me that the G. I. P. Railway, for example, had gone very much further, as far as the intensive use of locomotive power was concerned, than any railway in Great Britain, and other Railways were following suit.

86. *Chairman.*—And I do not suppose a single railway in Great Britain is paying 3.81 per cent on its capital. The Indian Railways are probably better-managed and are making more money than any railway in the world.

Sir Guthrie Russell.—Page 4 of the pink book (Summary of Results of Working of Indian Railways) will show what is happening in certain other railways in the world. Argentine, for instance, is a country more or less like India. The shares on their railways stood at 100 pounds 4 or 5 years ago and they are now standing at 17, 18 and 20. The German State Railway show the same state of things.

Mr. B. Das.—But those are national railways and the railway plants are manufactured in those countries. Here in those hectic days of the Railways, enormous capital expenditure was undertaken and the working expenses have gone up, more so since the separation. Even in the last year I find that the Secretary of State wrote to the Government of India to go on with further capital expenditure. Unless the Pope Committee reduced your capital expenditure, you might be thinking of spending more money on locomotives.

Sir Guthrie Russell.—If you look at the budget for next year you will find that is hardly correct, because the number of locomotives we are buying are only renewals and all for a very special purpose.

Mr. B. Das.—It may be a little solace to me that we are doing slightly better than other countries, but it is no solace to me that the tax-payers will pay every year the losses on these Railways. And if the Railways do not earn anything, the general revenues will bear it. In that direction our criticism lies.

Sir Guthrie Russell.—It is certainly not correct to say that we do not care what we spend because we know the general revenues are there. Actually for the first six years of the last ten years, we gave 12 crores to the general revenues.

Mr. P. R. Rau.—And in spite of there being four very bad years our total results showed a surplus of 20 crores over and above depreciation and we accumulated a balance in the Depreciation Fund of 32 crores.

87 *Mr. B. Das.*—The only two important recommendations are about the intensive use of locomotives and amalgamations?

Sir Guthrie Russell.—Yes : the G I P have gone further than any railway in Great Britain and they are still going further ahead—every railway is going into the question and I can assure you on this point we are getting important results. It does mean a certain amount of money : it means more up-to-date equipment in locomotive sheds as it means more intensive repairs : for instance, the Bhusawal Shed has cost about 6 lakhs, but I think it is going to be saved in two or three years. As regards amalgamations, actually I am going into that just now ; but unless you give special terms you cannot buy up any of the Company Railways till the contracts fall in. The first contract is that of the Madras and Southern Mahratta Railway and that will be in 1937 : obviously the Madras and Southern Mahratta Railway and the South Indian Railway could be amalgamated, but the South Indian Railway contract does not expire till 1945. Whether you should come to an arrangement to extend the Madras and Southern Mahratta Railway for another 8 years or buy up the South Indian Railway, even though it might be a expensive proposition, will have to be considered : I am preparing a note on the subject for the consideration of Government.

Mr. B. Das.—As regards locomotives, Mr. Pope's view is rather conservative—not to make new experiments, but to utilise the present locomotives to the full?

Sir Guthrie Russell.—Actually we are getting two locomotives, which will be, we hope, the most up-to-date locomotives in the world, and if after trial we find they are successful we will consider taking them up as our standard ; these will cost us a little money, but will, we hope, save money in operation when we standardise them.

Mr. B. Das.—I suggest you should be guided by your experience in the past : heavier locomotives means ripping up the permanent way and putting in heavier rails, and such like.

Sir Guthrie Russell.—This type is only a modification of another type and all those things will not be necessary : but it is a fact that on every railway in the world locomotives tend to get ahead of the permanent way : but this does not mean always relaying of the permanent way ; the need can be met by a higher standard of maintenance. As regards more intensive use of locomotives, you cannot have intensive use without up-to-date locomotives—it is not possible with old types.

Mr. B. Das.—As regard amalgamation, I am glad the Chief Commissioner and the Financial Commissioner are exploring that idea : in the State Railways something can be done to avoid this duplication of Agents and high officials—in the E. I. Railway and E. B. Railway and also perhaps in the N. W. Railway.

Sir Guthrie Russell.—The N. W. Railway cannot be increased—it is as big as it possibly can be—but I think the Railways of India can be finally brought under six systems—2 metre gauge and 4 broad gauge.

88. *Mr. B. Das*—At the present time we have very many rates and fares.

Sir Guthrie Russell—By that time all Railways will be State-owned and State-managed. As regards rates, you may have through rates, but you must remember that certain Railways are very much more expensive to work than others : The G. I. P. is more expensive than the East Indian. The N. W. R. also is expensive and surely it is justifiable to have slightly higher rates on a Railway which is more expensive in operation than one which is cheap in operation

89. *Mr. B. Das.*—The issue is whether the Railways can save money by amalgamation.

Sir Guthrie Russell.—It is not worth while amalgamating unless you can. A bigger system is much more difficult to control and you have to allow for a certain decrease in efficiency : whether anything can be done within the next two or three years is a matter for consideration.

90. *Mr. B. Das.*—At page 33 the Committee suggests (Second Report of February 1934) that you should explore the possibility of increasing the present lead in the matter of rates and fares.

Sir Guthrie Russell.—At present we are going into the question of classification of goods rates and we have to get out certain statistics before coming to a decision : it cannot be done by a stroke of the pen, it will take some years to do—in Britain it took, I think, 8 years. I do not think it will take us in India more than 4 or 5 years.

91. *Mr. B. Das*—With reference to the Committee's remarks at page 31, about advertising and publicity and about the Central Bureau examining the import and export trade, I do not think the Railway Board is exploring that side of the traffic now ?

Sir Guthrie Russell—I think we did—we were persuaded by the Punjab to make an experiment and I think we lost about 25 lakhs.

92. *Mr. B. Das*—I do not much fancy the recommendations of Mr. Pope about job analysis of clerks' work, etc. We cannot apply the British standard to these little things : we can apply them only to the workshops.

Sir Guthrie Russell.—I think certain of the Indian workshops are quite as efficient as any in Great Britain.

Position under Statutory Railway Board.

93. *Mr. B. Das.*—Last year the Public Accounts Committee discussed a little about the control of the Committee over the Railway Accounts after the Board becomes the Statutory Railway Authority : what is contemplated ?

Mr. P. R. Rau.—The sketch proposals provide that the accounts of the State Railways will be certified by the Auditor General : that presupposes, I imagine, that the existing audit will be maintained more or less.

Mr. B. Das.—And the existing statutory control of the Public Accounts Committee ?

Mr. P. R. Rau.—The sketch proposals did not say anything about the Public Accounts Committee.

Sir Ernest Burdon.—That would be for the Government of India to decide at the time. If the audit of the State Railways expenditure is going to be under the Auditor General, then it would be consistent for the Government of India to require that the accounts so audited should be laid before the Public Accounts Committee in the same way as other accounts audited by him are laid. I think it would be fair to say that it would be a very unusual proceeding for any particular account not to be placed before the Committee in view of the experience of the last 10 years, but I do not know exactly what the intention is.

Mr. B. Das—The right can be taken away only by a Constitution Act.

Mr. P. R. Rau—I do not remember whether in the White Paper there is any mention of the Public Accounts Committee continuing in the present form. The Auditor General is mentioned.

The Hon'ble Sir Alan Parsons—I do not think the matter has been discussed yet

Sir Ernest Burdon.—I would like that the position of the Auditor General be much more clearly formulated in the new constitution than it is at present. The present is a very unsuitable provision.

Concessions obtained by Military Department from Railways.

94. *Mr. B. Das*—My second point is about Military concessions : last year the reply was that the point was being examined by the Board.

Mr. P. R. Rau.—I am afraid I cannot add very much to it at the present moment. The matter is before the Government at present.

The Hon'ble Sir Alan Parsons.—I suppose you are bearing in mind that the effect would be to add to the surplus profits of Companies ?

Mr. P. R. Rau.—Yes ; also that the Military Budget would go up. The Government as a whole would perhaps lose.

Sir Ernest Burdon—I have no doubt that the favourable rates for officers proceeding to polo tournaments, etc., does increase traffic ?

Sir Guthrie Russell.—Of course it does.

Appropriation Accounts of individual Railway Administrations.

95. *The Hon'ble Sir Alan Parsons.*—I would like to ask whether these appropriation accounts of individual railways as printed now are of any use to you in the actual control of expenditure ?

Mr. P. R. Rau.—No ; I cannot say they are of much use—they are circulated in case the Committee wants any information, that is all.

Sir Ernest Burdon—I do not think they serve any useful purpose either, because they have no statutory justification at all.

The Hon'ble Sir Alan Parsons—My idea is to reduce the unnecessary stuff which comes before the Committee and at the same time make certain that we are getting everything which is of real use ; probably we can now dispense with these ?

Mr. P. R. Rau.—I think so. From the point of view of financial control they are not of much use.

Sir Ernest Burdon.—You are not losing anything substantive by abolishing these. The individual Accounts are audited by the respective Auditors.

Chairman—I suppose printing is a minor item, but it seems to me that it would have a certain amount of money. What does the Committee think about it?

Mr. P. R. Rau.—Probably only 50 copies are printed.

(The Committee generally agreed that the circulation of these individual Accounts was unnecessary.)

A. G. C. R.'s Appropriation Report—Grant No. 94—Capital Outlay on Vizagapatam Harbour.

96 *Chairman*—We then come to the final point, which is Vizagapatam. I think Mr. Das's point is how dare the Railways spend 30 lakhs extra when they have spent so much already?

Sir Guthrie Russell.—If we had not spent 30 lakhs on protection works, there would have been no harbour next year.

97 *Mr. B. Das*—With regard to the 'Observations' at the bottom of page 364 of the Appropriation Accounts, it is stated there that the original estimate of the Project was about 2 crores and odd, and a revised estimate amounting to Rs 3,98,85,449, chargeable to Civil estimates of the cost of constructing a developed harbour, has been sanctioned by the Governor General in Council, and here in Volume I of the Public Accounts Committee's Report on the accounts of 1929-30, paragraph 18 at page 334 (Appendix XXXIV), it is stated that in the sixth year of the opening of the Harbour the capital expenditure is expected to be about 5 crores 7 lakhs. The Railway Board has come to the decision that the total capital expenditure shall be 398 lakhs and not more.....?

Mr. P. R. Rau.—That is all exclusive of interest. We placed a Memorandum before the Committee in January 1932 which is printed in the Public Accounts Committee's Report Volume for 1929-30.

Mr. B. Das.—It was stated that the receipts will not be equal to .15 per cent. Is there any chance of improvement?

Sir Guthrie Russell.—At present our traffic is slightly above the budget estimate, but I cannot hold out much hope of the Harbour paying its interest for a long time to come.

Mr. P. R. Rau.—Only in the sixth year after opening the Harbour we estimated an income of 16 lakhs a year. The number of ships that use the Vizagapatam Harbour is slightly more than we anticipated. The traffic is better than our budget estimate.

98 *Mr. B. Das*.—Of course, it is not a Railway matter; it is a loss to the general revenues. How is the interest realised? Is it written off as a loss?

Mr. P. R. Rau.—During the period of construction interest was charged to capital, but after the opening of the Harbour it will be met from general revenues to the extent that it is not covered by net receipts. It will not be charged to capital cost. That has been definitely settled. A *pro forma* account will have to be kept.

99 *Mr. B. Das*.—At present the Vizagapatam Port Trust is under the Chief Commissioner of Railways, is it not?

Sir Guthrie Russell.—It is under the Commerce Department, and working of the Port is under an Administrative Officer of the Bengal Nagpur Railway.

Sir Ernest Burdon.—We have stated somewhere that after a particular year interest will no longer be charged to capital, I think it is after the 31st March 1934.

Mr. B. Das.—I wish to point out here that, because Sir Charles Innes belonged to the Madras Presidency, before he left this country, out of his old love for that Province he developed this Harbour at the expense of the general tax-payer who will have to pay every year 20 to 25 lakhs loss for the next 10 or 15 years. All these projects of the Government of India have to tell the same tale, and the Finance Member has to go on paying interest.

Chairman.—When the scheme was adumbrated nobody saw that the bottom was going out of the world, as it did in 1929. It is a material consideration, and it is quite clear that in the light of the after-events, if the authors had foreseen the events of 1929-30 and 1930-31, they would never have in their lives started those schemes.

Mr. B. Das.—In the Assembly we always opposed this scheme; even Sir Walter Wilson, the Representative of the Associated Chambers of Commerce, opposed the scheme vehemently.

Chairman.—Now, that concludes the cross-examination part of our task. The next thing is to meet and draft the Report and also discuss the draft Report of the Military Accounts Committee. I imagine that it will be convenient if we do that one day during the session. If the draft is circulated to Members of both this Committee and of the Military Accounts Committee, and if we meet* and discuss that and finally agree upon it, it will be a good thing.

I think we can now ask the witnesses to retire, with an expression of thanks for their frank and extremely able evidence.

(The witnesses then withdrew.)

*The draft Report of the Public Accounts Committee on the accounts of 1932-33, Parts I and II, and the draft Report of the Military Accounts Committee were adopted at the meeting of the Public Accounts Committee held on Saturday, the 18th August, 1934, at 3 p.m.

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Composition of the Committee on Public Accounts in 1935 (vide rule 51 of the Indian Legislative Rules.)

Chairman.

1. The Hon'ble Sir James Grigg Finance Member.

Elected Members.

Date of election.

2. Mr. B. Das	23rd March 1935.
3. Mr. S. Satyamurti	23rd March 1935.
4. Prof. N. G. Raga	23rd March 1935.
5. Dr. Thein Maung	23rd March 1935.
6. Maulvi Sir Muhammad Yakub	23rd March 1935.
7. Mr. J. Ramsay Scott	23rd March 1935.
8. Captain Sardar Sher Muhammad Khan	23rd March 1935.
9. Bhai Parma Nand	23rd March 1935.

Nominated Members.

Date of nomination.

10. Dr. R. D. Dalal	30th April 1935.
11. Rai Bahadur Sir Satya Charan Mukherjee	30th April 1935.
12. Khan Sahib Shaikh Fazl-i-Haq Piracha	30th April 1935.

Report of the Public Accounts Committee on the accounts of 1933-34.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating and control of expenditure.

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end and the actual results :—

				(In lakhs of Rs)		
				Budget	Revised.	Actuals.
(1) Traffic Receipts (less refunds)	..	..	.	87,00	86,50	86,63
(2) Miscellaneous Receipts	.	..	.	2,26	2,19	2,07
(3) Working Expenses			..	63,10	63,04	63,06
(4) Miscellaneous Expenditure	.		.	1,00	1,03	1,02
(5) Interest charges	..	..	..	32,93	32,40	32,58
(6) Surplus (+), Deficit (—)	.	..	.	—7,77	—7,78	—7,96
(7) Contribution to general revenues			..	.	.	.
(8) Payments to (+), withdrawal from (—) Reserve	.		..	.	.	.
(9) Loans from the Depreciation Fund			.	7,77	7,78	7,96

2 The budget estimates for 1933-34 anticipated a net deficit of Rs. 7,77 lakhs which was increased to 7,78 lakhs in the revised estimate. The actuals proved to be slightly worse resulting in a deficit of Rs. 7,96 lakhs which was met by a loan from the Depreciation Fund. As in the past two years, the prescribed contribution to general revenues could not be paid during the year under review. The figures in the above table show that the variations between the actuals and the Budget and Revised estimates are very small. The deterioration of 18 lakhs as compared with the revised estimate was principally due to increased interest charges on account of actual rate of interest on capital expenditure being more than the rate adopted in the estimates.

3. The following table compares the final voted grants with the expenditure against those grants :—

		(Lakhs of rupees).				
Voted		Original grant	Supplementary grant.	Final grant	Actual Expenditure	Excess + Savings—
<i>Expenditure charged to Revenue</i>						
1. Railway Board	..	8.31	..	8.31	8.02	— 29
2. Inspection	..	82	..	82	70	— 12
3. Audit	..	12.30	.60	12.90	12.77	— 13
4. Working Expenses—						
Administration	.	10,30.00	..	10,30.00	10,34.63	+4.63
5. Working Expenses—						
Repairs, Maintenance and Operation	..	38,12.50	4.75	38,17.25	38,11.38	—5.87
6. Working Expenses—						
Payment of Surplus Profits	.	51.00	2.50	56.50	56.05	+ 15
9. Appropriation to Depreciation Fund	..	13,75.00	.	13,75.00	13,56.48	—18.52
11. Miscellaneous Expenditure	..	5.00	1.20	6.20	4.59	—1.61
14. Interest Charges	..	2.83	..	2.83	2.81	— 02
<i>Expenditure charged to Capital and Depreciation Fund</i>						
7. New Construction	..	31.25	..	31.25	21.72	—9.53
8. Open line works	..	8,92.00*	1	8,92.01	5,80.99	—3,11.02
10. Appropriation from Depreciation Fund	..	7,77.12	9.99	7,87.11	8,05.33	+18.22

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below :—

Non-Voted	(Lakhs of rupees).				
	Original Appropriation	Supplementary Appropriation.	Final Appropriation	Actual Expenditure	Excess(-) Savings(+)
<i>Expenditure charged to Revenue</i>					
1. Railway Board	1.19	. 19	1.00	1.00	.
2. Inspection ..	2.28	. 24	2.04	2.03	— 01
3. Audit ..	1.25	. 02	1.23	1.23	..
4. Working Expenses—Administration ..	1,05.50	7.51	1,13.01	1,12.99	— 02
5. Working Expenses—Repairs, Maintenance and Operation ..	1.00	. 27	1.27	1.25	. 02
11. Miscellaneous Expenditure	9.10	. 51	9.61	9.56	— 05
14. Interest Charges ..	32,90.37	—53.22	32,37.15	32,55.16	+18.01
<i>Expenditure charged to Capital</i>					
7. New Construction ..	. 75	— 18	. 57	. 65	+ 08
8. Open line works ..	1.00	2.20	3.20	2.46	— 74
Discharge of Debentures ..	..	20.23	20.23	20.23	..

5 *Excesses over voted grants.*—The excesses over voted grants which require to be regularised by excess votes of the Legislative Assembly are shown below :—

Demand No.	Final grant	Actual expenditure.	Excess.
4. Administration ..	10,30,00,000	10,34,63,107	1,63,107
6. Companies' and Indian States' share of surplus profits and net earnings	56,50,000	56,65,149	15,149
10. Temporary withdrawals from Depreciation Fund ..	7,87,11,000	8,05,33,325	18,22,325

The excess under Demand No. 4 was mainly due to an unexpected payment of Municipal rates and taxes on the Eastern Bengal and Great Indian Peninsula Railways, to larger contributions for hospitals and medicines and to the charges in respect of special class apprentices having been debited to this Demand instead of to Demand No. 11. A larger increase in the earnings of certain branch line companies than anticipated caused the excess under Demand No. 6. The excess under Demand No. 10 represents the increase in the deficit of the Railways. The percentages of the excesses in the three cases are 4.3 and 2.3 respectively. There were excesses during the year under three Demands against four in the preceding year. We recommend that the Assembly should assent to the excess demands which will be placed before them by Government in due course.

6 The excesses over non-voted appropriations were only two during 1933-34 as against six in 1932-33.

7. Taking the total railway expenditure both voted and non-voted, there was a saving of 4 lakhs or .04 per cent. under expenditure charged to revenue and a saving of 3.03 lakhs or 17.42 per cent. under capital expenditure. The position in this respect compares as follows with the last three years.—

Expenditure charged to revenue (excluding appropriations to and from the Reserve Fund).

					(Lakhs of rupees)		
Year					Final grant and appropriation.	Savings	Percentage of column (3) to column (2).
1930-31	..	..	..	..	1,05.11	—2.98	2.83
1931-32	..	..	..	..	1,01.38	—4.24	4.18
1932-33	..	..	..	..	97.36	—37	.38
1933-34	..	..	..	..	96.81	—4	.04

Expenditure charged to Capital and Depreciation Fund

1930-31	..	..	..	..	25.74	—1.14	4.39
1931-32	..	..	..	..	29.18	—4.95	16.96
1932-33	..	..	..	..	19.55	—2.66	13.60
1933-34	..	..	..	..	17.34	—3.03	17.42

Under expenditure charged to revenue the variation in the total as compared with the final allotment amounted to .04 per cent. only and the variations in the totals of the individual demands also were not large. This result was, however, achieved in many cases by large excesses counterbalancing large savings within the Demands. We also noticed several cases where either no funds were allotted for expenditure which could reasonably have been foreseen and provided for or insufficient or excessive provision of funds was made. We realise that, in a large concern like the Railways, the Railway Board has to work on the totals of each demand rather than on individual subheads. We also realise that original estimates may be subject to alteration on account of unforeseen items, such as, larger or smaller volume of traffic than originally estimated, accidents, floods, etc. Even after making allowance for all these, we are of opinion that there is considerable room for improvement. The Railway Administrations should see that the totals allotted by the Railway Board are distributed among the individual subheads with greater accuracy.

Under Demands for capital expenditure on the other hand even the total expenditure diverged very far indeed from expectations. For example, under Demand No. 8, the total expenditure amounted only to 5.81 lakhs against an allotment of 8.92 lakhs. We were told by the Financial Commissioner that the capital programme was settled several months in advance, that it was very difficult for Railway Administrations to make accurate estimates so much in advance and that many factors entered into the picture over which Railways had little control. The Financial Commissioner has informed us that he is drawing the attention of all Railway Administrations to the large difference between the amounts they have been demanding and the amounts they have been

actually able to spend and that he will endeavour to correct the tendency to overestimating in preparing the programmes for 1936-37. We consider that the Railway Board should take all possible steps to secure greater accuracy in estimating.

While examining the question of the control of the Railway Board over Railway Administrations we have considered whether a more effective control could not be exercised if the Board were enabled, by a further delegation in minor matters, to relieve themselves of any necessity for interfering in questions of detail and so to leave themselves free to concentrate on securing effective control in matters of first class financial importance.

8 *Irregular reappropriations*—Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every reappropriation from one grant to another and every reappropriation within a grant which is not in accordance with the prescribed rules. During the year under review the following reappropriations were sanctioned by Railway Administrations which were not strictly within the powers delegated to them :—

- (1) *Grant No. 4.*—The Bengal and North-Western Railway reappropriated Rs. 16,000 from the sub-head "Worked Lines" to the sub-heads "Establishment" and "Miscellaneous".
- (2) *Grant No. 5.*—The Bengal and North-Western Railway transferred Rs. 69,000 from the sub-head "Worked Lines" to the sub-heads "Repairs and Maintenance" and "Operation other than fuel".
- (3) *Grant No. 6.*—In allotting the sum of Rs. 13,48,000 to the Bombay, Baroda and Central India Railway under this head the Railway Board omitted by oversight to distribute it under the two sub-heads of the grant. The Railway Administration made good this omission and distributed the total between the two sub-heads. Though this was the right thing to do, it was technically incorrect.
- (4) *Grant No. 8.*—The North-Western Railway made a reappropriation of Rs. 2,48,000 between works costing over one lakh each and other works. Two other Railways made reappropriations between track renewals and other sub-heads, namely, the Assam-Bengal Railway to the extent of Rs. 56,000 and Bengal-Nagpur Railway to the extent of Rs. 29,000.

Financial position of the Railways.

9. The total deficit during the years 1931-32 to 1934-35 amounted to about Rs. 32 crores. In 1935-36 the budget anticipated a deficit of only Rs. 2 crores, but judging from the actuals of the first few months it appears that the deficit will be much greater unless there is considerable improvement in earnings during the remaining months of the year. The position is actually more disquieting than these figures indicate, because under the present accounting system certain expenditure which according to sound

financial principles should be charged to revenue is being charged to capital. The Auditor General in his letter forwarding the Appropriation Accounts to the Government of India says as follows :—

“ In paragraph 42 of his Review the Financial Commissioner expresses regret that it has not been possible to proceed much further with the examination of various important questions essential to a proper financial settlement for Railways, such as the correct amount to be set aside for depreciation, the principles of allocation of expenditure between capital and revenue, and the amortisation of railway capital at charge. In paragraph 9 (b) of my letter submitting the Railway Appropriation Accounts for the year 1930-31 I drew attention to certain paragraphs (paragraphs 208—213) of the Audit Report which discussed disquieting tendencies towards over-capitalisation, and I emphasised the necessity of immediate examination of the problem so that Government should be prepared with a well-considered scheme in connection with the setting up of a Railway authority under the new constitution. In paragraph 28 of their Report on the Appropriation Accounts of 1930-31 the Public Accounts Committee stressed the necessity of early decision on the various problems thus indicated. The tendencies towards over-capitalisation that were brought to notice three years ago are still in operation, and during these three years net Railway earnings have failed to meet interest charges by 27.39 crores. Evidences of improvement are unhappily still uncertain. In the meantime, the preparation of the scheme for Railways under the new constitution must be in an advanced stage, while, according to the admission of the Financial Commissioner, Railways, the complicated financial problems connected with this scheme are still far from settlement. This is a position which seems to me to be exceedingly unsatisfactory ”

We were informed that the whole question of Railway finance was engaging the serious attention of the Government of India. There was no difficulty in arriving at a theoretical solution of the problems of allocation between capital and revenue. Ideally, the depreciation fund ought to be turned into a reserve for renewals and minor improvements and a definite provision for amortisation should be made out of revenue. The former would involve an increased allocation of something like 2 crores a year to cover expenditure which is at present being wrongly charged to capital while the latter ought to be something like 5 crores a year. The trouble was however that the Railways were failing to meet from Revenue their ordinary interest charges even on the present basis of charge. The deficit on this account was nearly 8 crores in 1933-34, about 5 crores in 1934-35 and in February 1935 it was estimated at 2 crores for 1935-36. But it is now clear that what appeared to be a process of continuous improvement has suffered an interruption and that unless the remaining months of this year show a great change, the deficit for 1935-36 may not be materially less than that for the preceding year. Even so, as has already been pointed out, this understates the real position by something like 2 crores. The question thus becomes not so much one of a slow tendency to over-capitalisation because of a somewhat lax accounting system but of the inability of the railways as a whole to show a profit even on the present system. To

this matter we devoted a great deal of attention. We were informed that interest charges would show a gradually declining tendency and might in 5 years time fall by about 2 crores. We understand moreover that the new scales of pay for new entrants will ultimately produce a saving of about 3 crores a year but this will of course take a whole generation to mature fully. Apart from these, the Railway Board think that no more than economies of a minor administrative order are now obtainable. There is obviously not in these any assurance of a return to solvency in a measurable time, much less of any surplus for amortisation of debt or contribution to general revenues and if the position is as stated by the Railway Board, solvency can only be restored by increasing traffic receipts. We are well aware that a restoration of economic prosperity is the most satisfactory means of effecting this but we do not see in the present condition of world affairs any certitude that this will be at all rapid. We think therefore that it is vitally necessary that the Railway Board should conduct an exhaustive review of their freight and fares policy and should consider every possible means of increasing their revenue. Apart from what is normally understood by reviewing freight policy, we urge that they should press on with their consideration of the steps required to meet road competition. We do not at all intend to imply that the expenditure side should be neglected. We are most reluctant to accept the Railway Board's estimate of the possible further economies and we think that the search for them must be relentlessly pursued. But we are prepared to believe that an increase of receipts is, in present circumstances, likely to be the more important factor in the restoration of financial stability.

Incidentally some of us would like to call attention to the fact that Railway Finances are being made the instrument of Government policy towards particular industries with the result that burdens are thrown on the Railways which ought to fall on the general taxpayer. An instance of this is the reduction of the output of Railway collieries to help the Indian coal industry. We were informed that, if Railway collieries are worked to their full capacity, the Railways will be able to produce coal at least as cheaply as the market rate and thus avoid a loss in the working of the collieries amounting approximately to 12 lakhs. On the assumption that this statement is correct, a considerable proportion of us feel that it is not right that a commercial concern like the Railways should be made to subsidise the coal industry.

We hope we have made clear that we regard immediate and continuous attention to the solution of these problems as of vital importance to Indian interests. Some of the non-official Members wish to place on record their views in regard to the failure to press to an earlier conclusion an examination of the working of the separation convention. Under the Resolution passed by the Assembly regarding the separation of railway from general finance, the convention should have been revised periodically after being tried provisionally for at least 3 years. The explanation given by the Financial Commissioner for not revising the convention is recorded in paragraph 3 of the proceedings. If however the convention had been revised earlier, the question of the proper allocation of expenditure between capital and revenue would have come up for consideration earlier and an examination of the question of allocation between capital and revenue could not have failed to disclose that the surplus was really less than it appeared to be under the old allocation. In the face of this, it is doubtful

whether Government would have felt justified in embarking on the very large capital expenditure of the "prosperity" years. In that case the unremunerative capital at charge would clearly have been reduced and the present financial problems would have assumed a less intractable aspect.

Miscellaneous.

13. The Director of Railway Audit has brought to our notice a case in which the North-Western Railway were unable to recover from the auctioneers about Rs 44,000, being the sale proceeds of scrap metal auctioned. The decree obtained by the Railway Company could not be enforced as the debtors were paupers. The Director of Railway Audit reports that in this case (1) the agreement was not signed by each member of the firm of auctioneers as required by the rules, and (2) the Railway Administration did not exercise its right of not allowing the removal of the auctioned material until the full amount due had been received from the auctioneers. We recommend that the Railway Board should issue necessary instructions with a view to avoid such omissions in future and they should also impress upon the Railway Administrations that proper care should be taken in selecting auctioneers.

14. We understand from the Auditor General that the Railway Codes are generally out of date. We agree with him that the Railway Board should immediately take up their revision and complete it before the new Statutory Railway Authority comes into existence.

15. While going through the Quarterly Statement of outstanding items, we found that the departments generally took a considerable time in taking action on the recommendations of the Committee. The departments should try to avoid such delays in future. In this connection, we recommend that a special meeting of the Committee should be held some time during the Delhi session, if so desired by the members, to examine the action taken by the departments on the various recommendations and suggestions of the Committee.

16. We append to our report minutes of the proceedings which we consider should be treated as part of the report. We assume, that in accordance with the established practice, action will be taken by the department on the observations and recommendations contained in these proceedings.

P. J. GRIGG
B. DAS.
S. SATYAMURTI.
N. G. RANGA.
THEIN MAUNG.
MD YAKUB.
RAMSAY SCOTT
SHER MD KHAN.
BHAJ PARMANAND.
R. D. DALAL.
S. C. MUKHERJEE.
FAZL-I-HAQ PIRACHA.

K. SANJIVA ROW.

14th September 1935.

Proceedings of the 12th and 13th meetings of the Public Accounts Committee held on Thursday, the 22nd August, 1935, at 11 A.M. and 2-30 P.M., respectively

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, *Chairman*.

Mr. B DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHEER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D DALAL, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Sahib Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Mr. A. C BADENOCH, C.I.E., I.C.S., Auditor-
General

Mr. B NEHRU, Director of Railway Audit.

Mr. P. R RAU, Financial Commissioner,
Railways

Mr. T. S. SANKARA AIYAR, Director of Finance.

Mr. V. S SUNDARAM, Controller of Railway
Accounts.

Mr. F. D'SOUZA, Director of Traffic, Railway
Board.

Members.

Were also present.

Witnesses.

1. The Committee took up the examination of the appropriation accounts and connected documents relating to the Railway Department.

2. The Committee discussed at some length, the present and prospective financial position of the railways and found it disquieting. The total deficit during the years 1931-32 to 1934-35 amounted to about 32 crores. In 1935-36, the budget estimate anticipated a deficit of only 2 crores, but judging from the first few months' actuals the deficit is likely to be much more. The position is actually much more disquieting than these figures indicate because under the present accounting system certain expenditure which according to sound financial principles should have been charged to revenue, is being charged to capital. The Auditor-General in paragraph 5 of his letter has drawn pointed attention to this tendency towards over-capitalisation. He had brought this to notice three years ago in his letter on the Appropriation Accounts for 1930-31 and the Public Accounts Committee in their report on those accounts had stressed the

necessity of an early decision on the problem. The Auditor General in his present letter says that "evidences of improvement are unhappily still uncertain" and that the position appears to him to be "exceedingly unsatisfactory". The Committee was informed that this matter had been engaging the serious attention of Government and that there was no difficulty in finding out an ideal solution to the problem, but the result of applying it would be to increase the revenue deficit still further. The Committee was assured that the matter was under the active consideration of Government.

3. The Committee then considered why the convention for the separation of Railway from General Finances had not been revised till now, though under the resolution passed by the Assembly it should have been revised periodically after being tried provisionally for at least three years. The Financial Commissioner explained that a committee of the Assembly was set up for the purpose in September 1928. It met in February and March 1929 and appointed a sub-committee which held one meeting in June 1929. It then became *functus officio* owing to the dissolution of the Assembly. The question was not again taken up as the revised arrangements for administering Railways under the new constitution were under active consideration, and it was felt that the whole position would be reviewed in that connection. Some of the non-official members of the Committee felt strongly that, if the convention had been revised earlier, the position of the Railways would not have deteriorated to the extent that it has done. Their point was that the question of the proper allocation of expenditure between capital and revenue would have come up at the time of the revision of the convention. The Auditor General said that the convention was based on a certain method of allocation of expenditure between capital and revenue and that the revision of the convention and the revision of the method of allocation should have gone together. If, after proper allocation, the surplus of Railways was really less than what it appeared to be under the old allocation, Government would have been forced to consider seriously whether the Railways would be able to bear the large capital expenditure which was being incurred at the time. The over-capitalisation could thus have been avoided to a certain extent.

4. The Committee desired to draw the special attention of Government to paragraph 5 of the Auditor General's letter and to impress upon Government the necessity of settling immediately the question of the proper allocation between capital and revenue and the amount of the contribution to the depreciation fund or to a Renewals and Replacements Fund.

5. The Committee also desired that Government should seriously consider the question of increasing receipts, especially in view of the road rail competition, and of reduction in working expenses.

The Committee then adjourned till 10-30 A.M. on Friday, the 23rd August 1935.

Proceedings of the 14th meeting of the Public Accounts Committee held
on Friday, the 23rd August, 1935, at 10-30 A.M

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, <i>Chairman</i>	}	Members
Mr. B. DAS, M.L.A.,		
Mr. S. SATYAMURTI, M.L.A.		
Professor N. G. RANGA, M.L.A.		
Dr. THEIN MAUNG, M.L.A.		
Mr. J. RAMSAY SCOTT, M.L.A.		
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.		
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.		
Bhai PARMA NAND, M.L.A.		
Dr. R. D. DALAL, M.L.A.		
Rai Bahadur Sir SATYA CHARAN MUKHERJEE, Kt., C.B.E., M.L.A.		

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General	}	Were also present.
Mr. B. NEHRU, Director of Railway Audit.		
Mr. P. R. RAU, Financial Commissioner, Railways.	}	Witnesses.
Mr. T. S. SANKARA AIYAR, Director of Finance.		
Mr. V. S. SUNDARAM, Controller of Railway Accounts.		

6 The Committee continued the general discussion on the financial position of the Railways and then took up the various points mentioned in the Auditor General's letter.

7. *Paragraph 3 of the Auditor General's letter.*—The Committee agreed with the Auditor General that certain comments on defects in budgeting and in current control of expenditure, which are included in this year's report of the Director of Railway Audit, should in future be included in the Financial Commissioner's review. The Committee also desired that the Financial Commissioner should take steps to see that the appropriation accounts reached the Auditor General on the due date.

8. *Paragraph 6 of the Auditor General's letter—Financial irregularities.*—(i) *Paragraph 58 of the Audit Report.*—The Auditor General stated that the Agent of the particular Railway admitted the mistake and assured him that he had taken steps to secure that it would not occur again.

(ii) *Paragraph 59 of the Audit Report Allocation of expenditure on rolling stock.*—The Financial Commissioner explained that most of the

Railways had accepted the revised classification, and that he thought the new formula proposed by them would probably be accepted by all without much difficulty

(vi) *Paragraph 138 of the Audit Report*—Some of the members of the Committee felt that the loss to Railways in this case was due to proper care not having been exercised in selecting auctioneers. The Committee desired that instructions should be issued by the Railway Board—

- (a) that proper care should be exercised to select auctioneers of certain financial standing ,
- (b) that the auctioned material should not be allowed to be removed until the full amount had been received from the auctioneers ; and
- (c) that the agreements with the auctioneers should be signed by duly authorised persons.

9. The Committee then went into the other paragraphs of the Audit Report mentioned in paragraph 6 of the Auditor General's letter.

The Committee then adjourned till 11 A.M on Saturday, the 24th August 1935.

Proceedings of the 15th meeting of the Public Accounts Committee held on Saturday, the 24th August, 1935, at 11 A.M.

PRESENT

The Hon'ble SIR JAMES GRIGG, K.C.B., Finance Member, *Chairman*.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Maulvi SIR MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A. } Members

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, M.L.A.

Rai Bahadur SIR SATYA CHARAN MUKHERJEE, Kt.,
C.B.L., M.L.A.

Khan Sahib SHAIKH FAZL-I-ILAQ, Piracha, M.L.A.

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General. } Were also
Mr. B. NEHRU, Director of Railway Audit } present

Mr. P. R. RAI, Financial Commissioner of Railways }

Mr. T. S. SANKARA Aiyar, Director of Finance. } Witnesses

Mr. V. S. SUNDARAM, Controller of Railway Accounts. }

10. The Chairman brought to the notice of the Committee certain unauthorised and improper press reports of the proceedings of the Committee. The Committee desired that the Secretary should issue a statement to the effect that the reports were not only unauthorised and improper, as the proceedings were private, but also completely inaccurate.

11. The question of the codification of the Railway rules and regulations was then taken up. The Auditor General informed the Committee that the Railway codes were generally out of date and expressed the opinion that, in fairness to the new Railway Authority, they should be revised and brought up to date before that authority came into existence. The Committee agreed with the Auditor General and desired that this matter should be taken up immediately by the Railway Board.

12. *Accuracy of budgeting and control of expenditure.*—Though the total actual expenditure in the majority of the grants (with the exception of the grant relating to works not charged to revenue) was very close to the original estimates, there were many large divergencies in the various sub-heads of individual grants, in many cases large excesses counterbalancing large savings. Several cases were noticed where either no funds were allotted for certain expenditure which could reasonably have been foreseen and provided for or insufficient or excessive provision of funds was made. The Committee realised that, in a large concern like the Railways, the Railway Board has to work on the totals of each grant rather than on individual sub-heads, but it is certainly the business of

the Railway Administrations to see that the totals allotted by the Railway Board are distributed among the individual sub-heads with a fair amount of accuracy. The Committee also realised that the original estimates may be subject to alteration on account of unforeseen items, such as, a larger or smaller volume of traffic than originally estimated, repair of a bridge damaged by accident, flood or earthquake, etc. Even after making allowance for all these contingencies, the Committee was of opinion that there was considerable room for improvement in budgeting and control over expenditure.

Under grants for works expenditure, even the total expenditure diverged very far indeed from expectations. For example, under Grant No. 8-Open Line Works, the total expenditure amounted only to 5,81 lakhs against a grant of Rs. 8,92 lakhs. The Financial Commissioner has, in his review, given the following explanation for the large variations in the works grants :—

“ The works programme is, for one thing, prepared very much earlier. Taking the 1933-34 budget as an example, the rolling stock portion of the programme was submitted to the Railway Board in February and considered and practically settled by them in March 1932. The rest of the programme was submitted in July and scrutinised and decided by the Railway Board in August or September 1932. The estimates of working expenses on the other hand were submitted in November and December 1932, and considered only in January 1933. Secondly, in preparing the works programme, the control exercised by the Railway Board is mainly as regards the works to be included in the programme. As regards the actual amount required for any particular work in any particular year, the estimates made by railways are generally accepted. It is very difficult for railway administrations to make very accurate estimates of the funds they are likely to require so much in advance of the time at which they are required. There are so many factors over which railways have little control that enter into the picture. Further consideration may result in some of the projects being dropped, or materially altered; the preparation of detailed estimates might make the cost of the work vary appreciably from the original rough estimate; unavoidable delays in acquiring land, where necessary, collecting material, letting out contracts, and so on might throw forward expenditure to another year, or result in expenditure provided for in an earlier year being met from the grant for the year in question ”.

The Financial Commissioner also stated that he is drawing the attention of all Railway Administrations to the large difference between the amounts they have been demanding and the amounts they have been actually able to spend during the last few years, and that he would endeavour to correct the tendency to over-estimating in preparing the programmes for 1936-37. The Committee considered that this was a very important point and the Railway Board should take steps to see what they can do to secure greater accuracy in estimating.

13. *Statement of un-sanctioned expenditure.*—The Committee noticed that this statement contained several items which had been outstanding for years. On going through the various items their general conclusion was that these items took a very long time to clear up, and they desired that the possibility of speeding them up should be examined. The Financial Commissioner promised to do this and also to give an explanation for the delay in each case in future appropriation accounts.

The Committee then adjourned till 10-30 A.M. on Monday, the 26th August 1935.

Proceedings of the 16th meeting of the Public Accounts Committee held
on Monday, the 26th August, 1935, at 10-30 A M

PRESENT

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, *Chairman*.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTHI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

Members.

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General.

Mr. B. NEHRU, Director of Railway Audit.

Sir MAURICE BRAYSHAY, Kt., Chief Commissioner of
Railways.

Mr. P. R. RAU, Financial Commissioner, Railways

Mr. T. S. SANKARA AIYAR, Director of Finance

Mr. V. S. SUNDARAM, Controller of the Railway
Accounts.

Were also
present.

Witnesses

14. *Unanticipated credits*.—Under grant No. 5 there were unanticipated credits to the extent of about 29 lakhs which were utilised for expenditure, and but for the utilisation of these credits a supplementary grant of about 23 lakhs from the legislature would have been necessary. The Committee was informed that, according to the previous recommendation of the Public Accounts Committee, where substantial unanticipated credits are to be utilised to incur fresh expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee has to be obtained; as grants were voted net, however, it was not constitutionally unlawful to appropriate unanticipated credits to increased expenditure. Under this grant it was not a case of incurring fresh expenditure which would not have been incurred but for the credits, but an excess over ordinary expenditure in the closing months of the year which in the ordinary course would have led to an excess grant. The excess would have been 23 lakhs in an estimate of over 30 crores.

15. The Committee discussed with the Chief Commissioner the general administration of the Railways and their financial position, especially the

steps that might be taken to improve revenue, reduce working expenses, increase the facilities for third-class passengers and to meet the rail-road competition.

16 While examining the financial position of some of the railways, the Committee was informed that the railways were at present granting certain special concessions as a result of the general policy of the Government of India. The Committee desired to have a note from the Railway Department showing to what extent these concessions reduced the Railway earnings. One instance of this is reducing the output of railway collieries to subsidise the Indian coal industry. The Committee was informed that, if railway collieries were worked to their full extent, the railways would be able to produce coal at least as cheaply as the market rate, and thus avoid a loss on working of Railway collieries amounting roughly to about twelve lakhs. On the assumption that this statement was correct, a considerable proportion of the members of the Committee expressed the opinion that railway collieries should not be so worked as to subsidise the coal industry.

17. The Committee then went through the balance-sheets and profit and loss accounts of railway collieries. They desired that the Auditor General should consider whether the form in which these are at present prepared could not be improved.

18. The Committee desired that the Railway Department should examine and send a note to the Committee to show whether there is any basis for the allegation generally made that the rates of freight at present charged operate in such a way as to help the export of raw materials and the import of foreign manufactured goods to the detriment of Indian industries.

The Committee then adjourned till Tuesday, the 27th August 1935.

Proceedings of the 17th meeting of the Public Accounts Committee held
on Tuesday, the 27th August 1935, at 12 noon.

PRESENT

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member	<i>Chairman.</i>
Mr. B. DAS, M.L.A.	} Members
Mr. S. SATYAMURTI, M.L.A.	
Professor N. G. RANGA, M.L.A.	
Dr. THEIN MAUNG, M.L.A.	
Mr. J. RAMSAY SCOTT, M.L.A.	
Maulvi Sir MOHAMMAD YAQUB, Kt., M.L.A.	
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.	
Dr. R. D. DALAL, M.L.A.	
Rai Bahadur Sir SATYA CHARAN MUKHERJEE, Kt., C.B.E., M.L.A.	} Were also present.
Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General	
Mr. B. NEHRU, Director of Railway Audit	} Witnesses.
Sir MAURICE BRAYSHAY, Kt., Chief Commissioner of Railways.	
Mr. P. R. RAU, Financial Commissioner, Railways	
Mr. T. S. SANKARA Aiyar, Director of Finance.	
Mr. V. S. SUNDARAM, Controller of the Railway Accounts.	

19. The Committee considered the Memorandum furnished by the Railway Board on the financial results of the electrification of the B. B. & C. I. and G. I. P. Railways, and generally accepted the views of the Board about the financial effect of these schemes. They desired to have next year a similar report on the electrification of the South Indian Railway. They then took up the quarterly statement of outstanding items. The Committee expressed the opinion that there was considerable delay in taking action on their recommendations and desired that every effort should be made to expedite their disposal. Special reference was made to item (1), namely, concessions for military traffic, which has been outstanding from 1928-29.

20. The Committee then adjourned and agreed to meet some day during the session of the Assembly to consider the draft report.

APPENDICES.

APPENDIX I.

Statement showing action taken or proposed to be taken on recommendations, etc., so far made by the Central Public Accounts Committee which have not been finally disposed of.

PART II.—Railways.

[Quarter ending July 1935.]

*Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed*

PART II.

Serial No.	Year of Report.	Paragraph or Report or Proceedings.	Recommendations or suggestions.
1	1928-29 1929-30 1930-31 1931-32	5 P. 53 P. 3 P (Item No. 80) 8 R	That the question of the continuance of special rates and concessions for military traffic obtained by the Military Department from the Railways should be pressed to a conclusion as soon as possible.
2	1930-31 1931-32	28 R. 10 R.	That the question of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue should be taken up immediately.
3	1930-31 1931-32	46 P. 11 R.	That some definite procedure calculated to obviate the present delays in the apportionment of Joint Station expenses between railways should be laid down as soon as possible and that a memorandum explaining the action taken should be placed before the Committee next year.
4	1930-31 1931-32	63 P. 3 P. (Item No. 10).	That a report on the extent to which it is found feasible to adopt various suggestions of the Director of Railway Audit made in paragraph 28 of his Appropriation Report for 1930-31 with a view to expediting the submission of monthly accounts should be furnished to the Committee.
5	1931-32	18 R.	That the Railway Board should consider whether they could not obtain an annual report from all the railways showing agreements the conclusion of which was outstanding.
6	1931-32	10 P.	That a report regarding the Railway Schools should be furnished to the Committee.
7	1932-33	9 R.	That the proposal regarding the method of calculating the contribution to the Depreciation Fund should be formally put to the Auditor General, and if he is satisfied, effect should be given to it but a report should be made to the Committee.

so far made by the Central Public Accounts Committee which have not been finally of.

RAILWAYS.

Action taken or proposed to be taken.

The matter is still under consideration.

The matter is under the consideration of the Government of India.

Necessary action has already been taken in the matter as explained in paragraph 255 of the Director of Railway Audit's Appropriation Report for 1932-33.

The Director of Railway Audit has since agreed that the present arrangements regarding the submission of monthly accounts are quite satisfactory, *vide* paragraph 270 of his Appropriation Report for 1932-33.

The Railway Administrations concerned have been instructed to submit annual reports of agreements not finally concluded at the end of each financial year. The first series of such reports for the year ending 31st March 1934 was received by the Railway Board and action, wherever necessary, was taken by them on these reports.

Necessary instructions on the lines of the Director, Railway Audit's suggestions, referred to in paragraph 44 of his Appropriation Report for 1931-32, have since been issued to Railway Administrations, *vide* Railway Board's letter No. 1867-B, dated 30th November 1934 (Annexure).

The Assembly approved of the calculation of contribution to the Depreciation fund at the rate of 1/60th of Capital, in considering the Budget for 1935-36.

ANNEXURE.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS OF CLASS I RAILWAYS, No 1867-B., DATED THE 30TH NOVEMBER 1931.

SUBJECT.—*Treatment of Grants made by Local Governments to Railway schools in the Railway accounts.*

It has been brought to the notice of the Railway Board that the procedure obtaining on railways in accounting for grants made by Local Governments to Railway schools is not uniform. In some cases these grants are treated as reductions of expenditure, while in others, the accounts of these schools are kept outside the Railway accounts, only the amount of net grant paid by the Railway being shown as an item of expenditure in the Railway accounts. In the latter case, expenditure which ought to have been included in the accounts and the appropriation accounts of the Railway is kept outside Railway accounts and accounted for as the expenditure of a private body.

2. The correct procedure that should be followed in such cases is as follows :—

The expenditure on Railway schools proper should be provided in gross in the Demands for grants, the amount received from the Local Governments being deducted therefrom, provided the amount is received in the same financial year. Grants received after the close of the financial year should be treated as receipts and the same treatment should be accorded to fees recovered from the pupils.

In the case of other schools run by Local Governments or private bodies to which grants in aid are given by the Railway (Railway aided schools) the grant given from the Railway funds should be treated as expenditure.

3. I am directed to request that the correct procedure as outlined above be followed with effect from the accounts of the year 1935-36, and this should be taken into account when the budget estimates for the next year are prepared.

APPENDIX II.

LETTER FROM SIR ERNEST BURDON, K.C.I.E., C.S.I., I.C.S. AUDITOR
GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCE DEPARTMENT, No. 193-REP./7—35, DATED THE 22ND JUNE 1935.

SUBJECT :—*Appropriation Accounts (Railways) 1933-34 and the Audit Report 1935.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Railways in India for the year 1933-34 together with two copies of the Audit Report prepared by the Director of Railway Audit, for submission to the Committee on Public Accounts and for necessary action by the Government of India.

2 I have the honour also to transmit herewith two copies of the Review of the above Appropriation Accounts prepared by the Financial Commissioner, Railways, together with two copies each of the Capital Statement, Balance Sheet and Profit and Loss Accounts of Railways in India and of Balance Sheets and Profit and Loss Accounts of Railway Collieries for 1933-34.

3. *Financial Commissioner's Review.*—The Financial Commissioner's present Review approaches much more nearly than his last to the model which has been generally agreed upon in discussions which have taken place in the Public Accounts Committee in recent years, and I wish to express my appreciation of the trouble which the Financial Commissioner has taken to adapt the Review both in form and in substance to the requirements of my Department and of the Public Accounts Committee, and also to produce it at an earlier date. At the same time I think it is possible for the Review to be still further improved, and in this connection I wish to refer to what is said in paragraphs 3 and 4 of the Audit Report. As the Director of Railway Audit has indicated, Chapter I of his report contains a number of comments on defects in budgeting, and on various defects also in current control of expenditure, as revealed by appropriation audit, which to the extent that they are of importance would have proceeded more suitably from the Financial Commissioner himself as the controlling officer, and might properly have found a place amongst other comments of a similar character which he has actually included in his Review. I presume the Financial Commissioner will now consider these comments, particularly those in paragraphs 11 to 22 of the Report, and will be prepared to furnish further explanation if this should be desired by the Public Accounts Committee.

Again, while the Financial Commissioner's Review was received by me on the 29th of April, the Appropriation Accounts themselves were not received by me until the 3rd of May 1935 as against the prescribed date, the 15th of April 1935. I trust that it will be possible to avoid in future similar delay in the submission of the Appropriation Accounts, as such delay is liable to react unfavourably on the preparation of his Review by the Financial Commissioner and on the preparation of his Audit Report by the Director of Railway Audit.

4 *Excesses and Irregular Reappropriations*—The excesses which occurred over the final appropriations and which require to be regularised by the vote of the legislature in the case of voted expenditure, and by formal sanction by the Governor General in Council in the case of non-voted expenditure, are set forth in Section III of the Financial Commissioner's Review.

The irregular reappropriations which require to be brought to the notice of the legislature are stated in paragraph 82 of the Review, the Director of Railway Audit's comments being in paragraphs 33 and 34 of his report.

5. *Railway Finance*—*The general position*—In paragraph 42 of his Review the Financial Commissioner expresses regret that it has not been possible to proceed much further with the examination of various important questions essential to a proper financial settlement for Railways, such as the correct amount to be set aside for depreciation, the principles of allocation of expenditure between capital and revenue, and the amortisation of railway capital at charge. In paragraph 9 (b) of my letter submitting the Railway Appropriation Accounts for the year 1930-31 I drew attention to certain paragraphs (paragraphs 208—213) of the Audit Report which discussed disquieting tendencies towards over-capitalisation, and I emphasised the necessity of immediate examination of the problem so that Government should be prepared with a well-considered scheme in connection with the setting up of a Railway authority under the new constitution. In paragraph 28 of their report on the Appropriation Accounts of 1930-31 the Public Accounts Committee stressed the necessity of early decision on the various problems thus indicated. The tendencies towards over-capitalisation that were brought to notice three years ago are still in operation, and during these three years net Railway earnings have failed to meet interest charges by 27.39 crores. Evidences of improvement are unhappily still uncertain. In the meantime, the preparation of the scheme for Railways under the new constitution must be in an advanced stage, while, according to the admission of the Financial Commissioner, Railways, the complicated financial problems connected with this scheme are still far from settlement. This is a position which seems to me to be exceedingly unsatisfactory.

6 *Financial Administration*—The following are individual matters relating mainly to the subject of Railway financial administration which appear to me to be of more than ordinary interest and to which the attention of the Public Accounts Committee may be specially directed :—

- (i) *Paragraph 58 of the Audit Report*.—An irregularity in accounting.
- (ii) *Paragraphs 59 and 60 of the Audit Report*.—Two important cases relating to the allocation of expenditure on rolling stock which I brought specially to notice last year, and which have not yet been finally settled.
- (iii) *Paragraph 62 of the Audit Report*.—Loss on the abandonment of the Dacca-Aricha Railway project.
- (iv) *Paragraph 81 of the Audit Report*.—Payment of interest by one Railway to another on the cost of wagons which are either no longer in existence or no longer in use.

(v) *Paragraph 88 of the Audit Report.*—Breach of orders in relation to an important contract

(vi) *Paragraph 111 of the Audit Report.*—Loss on purchase of iron obtained from England.

(vn) *Paragraphs 112 to 114 of the Audit Report.*—Irregularities and errors in the East Indian Railway Stores Accounts

(viii) *Paragraph 132 of the Audit Report.*—Shortage in stock of scrap material.

(ix) *Paragraph 133 of the Audit Report.*—Shortage in stock of teak wood logs

(x) *Paragraphs 135 to 138 of the Audit Report.*—Defects in or non-enforcement of agreements.

(xi) *Paragraph 148 of the Audit Report.*—Loss due to failure of an accounts office to recover charges due.

(xii) *Paragraph 170 of the Audit Report.*—Fraud in an accounts office

(xiii) *Paragraph 177 of the Audit Report.*—Loss due to an accounts office omitting to submit bills.

(xiv) *Paragraph 193 of the Audit Report.*—Consequences of postponement of expenditure.

7. The general conclusion which may be drawn from the Audit Report taken as a whole is that, due regard being paid to the magnitude and variety of the financial transactions which are involved, the standard of financial control attained by the Railway Administrations and the Railway Board may be said to be adequate

APPENDIX III.

Memorandum by the Railway Board on paragraph 109 of the Director of Railway Audit's Audit Report on the Accounts for 1933-34 regarding Irregular Balances under the Workshop Manufacture Suspense Account on the North Western Railway.

Expenditure incurred in railway workshops is ordinarily debited to a 'suspense' head in the first instance, this head being cleared gradually by the transfer of the relative debits to the departments for which the work is done. One of the important items of work done by the railway workshops is the manufacture of duplicates and other materials for the Stores and other departments of the railway. As supplies were made of the manufactured articles from time to time to the departments concerned, the suspense head is cleared by the transfer of a corresponding debit at an estimated rate called the 'issue rate'.

2 Under an ideal system of costing, the balance at a given moment under the head 'Workshop suspense' should represent the value of the articles in the course of manufacture in the workshop at that point of time, the value including not only the cost of the materials but the labour already spent on them up to the given point of time. This, however, is only a theoretical ideal, and even with an elaborate system of costing, 'inefficient' balances under the head 'Workshop suspense' are inevitable, that is to say, the book balances under 'Workshop suspense' would differ to some extent—though only slightly—from the actual value of the materials in the course of manufacture.

3 If issue rates are revised at sufficiently frequent intervals in accordance with the varying costs of production, the 'inefficient' balance will naturally not be very large. A suitable workshop accounts procedure ought to provide for the periodical examination of costs and the consequent revision of rates and the adjustment of already accumulated—estimated—'inefficient' balances. But where costs are not so reviewed or revised for a fairly long time and periodical adjustments of costs not made, the 'inefficient' balances accumulate to large figure. When the figures so accumulate, the exact ascertainment of these 'inefficient' balances, is, a matter of difficulty, since it necessitates a careful stock-taking of the articles in the course of manufacture in the workshops and the appraisalment of the value of the materials and the labour already consumed in those articles. Apart from the large staff required for the purpose, such verification would seriously interfere with the normal working of the shops.

4. On the North Western Railway owing to failure to analyse and adjust 'inefficient' balances for several years, the balances under 'Workshop suspense' rose to an unusually large figure which clearly indicated, even without a stock-taking, that a large part of it was 'inefficient'. A survey of the workshop undertaken during the Christmas holidays of 1932 revealed that the inefficient balances were of the order

of Rs. 5 lakhs ; and as a result of further investigation the figure was estimated at Rs 4,75,747 as detailed below —

	Rs.	A.	P.
(a) Manufacture of material for Stores Department on account of duplicates required for locos and carriages .	4,83,556	14	0
(b) Manufacture of material for other branches as per stores work orders .	36,476	0	0
(c) Repairs to Springs received from the divisions ..	- 9,350	2	0
(d) Difference between actual freight and that debited to works at fixed rates	- 34,935	9	0
Total .	4,75,747	4	0

5. The most important cause which led to the accumulation of such a large inefficient balance was the failure to revise issue rates for a long period but there were other contributory causes also, such as failure to 'reconcile' different sets of figures, incorrect adjustments (including omissions to make adjustments), the retention of materials in the shops both manufactured and un-manufactured, both serviceable and unserviceable and also, to a small extent, which can be traced, embezzlement of wages and theft of materials. An elaborate analysis was made by the Chief Accounts Officer in the course of 1933, as a result of which several irregularities of procedure came to light, all of which had contributed to the large figure. Adequate steps have since been taken to set right the various defects in procedure that came to light and instructions have been issued to the Accounts Officer in charge of the workshop to submit a detailed report to the Chief Accounts Officer annually as the result of the review of the balance on 31st December each year. Necessary action has also been taken duly on the cases relating to embezzlement of wages and theft of materials.

6. The Railway Board have examined the whole position in consultation with the Controller of Railway Accounts and have brought to the notice of the Agent the various directions in which, in their view, there has been lack of check and supervision. They asked the Agent to examine the matter further in consultation with the Chief Accounts Officer and submit a report on the subject, indicating therein what disciplinary action has been or is proposed to be taken to bring home to the employees concerned the serious failures in essential and fundamental checks. The reply has been received and is under consideration.

APPENDIX IV.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM-BENGAL, BENGAL AND NORTH WESTERN, BENGAL-NAGPUR, BOMBAY, BARODA AND CENTRAL INDIA, BURMA, EASTERN BENGAL, EAST INDIA, GREAT INDIAN PENINSULA, MADRAS AND SOUTHERN MAHRATTA, NORTH WESTERN, ROHILKUND AND KUMAON AND SOUTH INDIAN RAILWAYS, THE MANAGER, JODHPUR RAILWAY; THE AGENT, H. E. II THE NIZAM'S STATE RAILWAYS, THE CHIEF MINING ENGINEER, RAILWAY BOARD; AND THE CENTRAL PUBLICITY OFFICER, INDIAN STATE RAILWAYS, NO. 1728-B, DATED SIMLA, THE 21ST AUGUST 1935

Railway Appropriation Accounts for 1933-34 and the Director of Railway Audit's report thereon

I am directed to draw your attention to the Auditor General's remarks on the report of the Director of Railway Audit on the appropriation accounts of Railways for 1933-34 (Appendix II). The Railway Board are glad to note, and they have no doubt your administration will appreciate the general conclusion drawn by him in the last paragraph of his letter which runs as follows:—

“The general conclusion which may be drawn from the Audit Report taken as a whole is that, due regard being paid to the magnitude and variety of the financial transactions which are involved, the standard of financial control attained by the Railway Administrations and the Railway Board may be said to be adequate.”

2. While the Board have no doubt that you have already carefully studied the report of the Director of Railway Audit and taken all steps necessary to apply to your railway the lessons to be learnt from the various cases of irregularities mentioned therein, they desire to draw special attention to a few points which they consider important.

Paragraphs 11 to 22; 29 to 32; 34 to 37; 39 to 45 and 46 to 54. Budgeting and control of expenditure.—The Board trust that steps will be taken to eliminate, as far as possible, the defects brought to notice, such as the omission to provide in the budget for certain fixed and recurring charges, failure to distribute final allotments over sub-heads of grants, irregular reappropriations, changes in classification and wrong booking of expenditure.

Paragraphs 71 to 76. Expenditure on new equipment.—Attention is drawn to the instructions issued on the subject in Railway Board's letter No. 33/256-S., dated 8th July 1933. The Board trust that these instructions are now being carefully followed and that new equipment and appliances are not obtained in large numbers or quantities without the administration completely satisfying itself as to their suitability for the purpose for which they are intended.

Paragraphs 82 and 83. Incurring of expenditure on behalf of other Departments.—The Board consider it important to ensure that, before any work which involves a recovery of a portion or the whole of it from another department of Government is undertaken the approval of that department

should be obtained to the full extent of their liability in the matter, just as in the case of private bodies the amount involved is recovered in advance.

Paragraphs 85 and 88 Contracts—The Railway Board consider that the fundamental precaution to be taken in arranging for the execution of works on contracts cannot be too strongly and too frequently impressed on all the officers concerned, namely, that no contractor or contractors should, except in a case of extreme urgency, be allowed to commence the work to be entrusted to them without a definite understanding in writing as to the terms (including the description of the work to be done, the rates at which they are to be paid, etc.), on which they are to execute the work.

Paragraphs 90 to 97. Employment of staff on works other than those to which their pay is charged—The Railway Board regret to notice from the report of the Director of Railway Audit that this irregularity has not disappeared entirely

Paragraphs 108 and 109. Inefficient balances in workshop accounts—The Railway Board regret to note that large inefficient balances were allowed to accumulate in the workshops of certain railways without special steps being taken by the executive and accounts departments to analyse them, to ascertain the causes which led to them and to devise methods of avoiding a recurrence. The main causes for such accumulation were, it is observed,

- (a) want of proper care and watchfulness in the fixing and revision of rates for outturn from workshops, waste, scrap, &c, from time to time,
- (b) initiating a vital change in the accounts procedure without the necessary accounts, assistance and supervision,
- (c) the undesirable practice of manufacturing articles in excess of requirements, and
- (d) the absence of the fundamental check of issues from one department with the receipts in the department to which the issues were made.

The Railway Board desire to impress on Railway Administrations the necessity of having a frequent examination made of the state of the suspense balances in their workshops.

Paragraphs 112 to 114. Stores accounts.—The serious irregularities disclosed in these paragraphs were apparently part of the general and prolonged disorganisation of stores accounts on the East Indian Railway, and can, the Board trust, be taken to be far from typical of the state of affairs on railways generally. Nevertheless they desire to draw the attention of all railways to the serious consequences that may ensue by initial neglect of prescribed procedure and the failure to take timely action. It will be observed that the serious differences that were allowed to accumulate between the balances of stores on the general books of the accounts office and the balances on the books of the executive officers were due to the failure for a considerable period to reconcile these balances and to maintain correct price ledgers and check them properly at periodical intervals with the results of stock-taking.

Paragraphs 115 to 129 Purchase of stores—Some of these cases show a regrettable want of co-ordination in the preparation of orders between the department requiring the stores and the department responsible for their purchase. Others show an equally regrettable failure to make a careful estimate of requirements before making a purchase. The Railway Board trust that as a result of the instructions contained in their letter of 10th November 1934 there will be few or no such cases in future.

Paragraphs 137 and 138. Auction sales of scrap through auctioneers.—The Railway Board trust that adequate steps are now being taken to safeguard the interests of the railway and to ensure that money due to the railway is paid promptly and that the scrap sold is not ordinarily handed over before the price is received by the railway.

Paragraphs 172 and 173—The Railway Board trust that railway administrations are taking steps to settle outstanding questions as speedily as possible.

No. 1728-B, DATED THE 21ST AUGUST 1935

Copy forwarded for information to the Chief Accounts Officers, East Indian, Eastern Bengal, Great Indian Peninsula, North Western and Burma Railways, Director, Railway Clearing Accounts Office, Controller of Railway Accounts, Director of Railway Audit, the Auditor General in India and the Finance Department

APPENDIX V.

Report by the Railway Board on the financial results of the electrifications of the Bombay Railways.

The attached statements which have been prepared in consultation between the Railway Administration and the statutory auditor concerned show the financial results of the electrification schemes on the Great Indian Peninsula and Bombay, Baroda and Central India Railways for the years 1930-31 to 1934-35. These have been prepared on the same basis as those which were prepared by Mr. Nixon as Director of Railway Audit in October 1933, and were placed before the Public Accounts Committee last year. The figures for the Great Indian Peninsula Railway show the result of all the schemes in a consolidated form as they are inter-dependent.

2. The figures for the two railways are summarised below :—

			Great Indian Peninsula		Bombay, Baroda and Central India.	
			Traffic in train miles. Lakhs	Percentage of net savings on net outlay	Traffic in train miles. Lakhs.	Percentage of net savings on net outlay
Estimate	..	..	55.40	10.51	16.60	16.93
1930-31	.	..	42.50	4.80	14.28	10.35
1931-32	.	.	41.87	5.37	13.43	10.96
1932-33	.	.	41.21	5.23	12.56	11.62
1933-34	.	..	41.85	4.90	14.00	13.43
1934-35	..	..	41.80	4.42	14.07	15.54

3. On the Great Indian Peninsula Railway the decrease in the percentage in 1933-34 is due to certain adjustments between capital and revenue, and expenditure incurred for the first time on the normal periodical overhaul to electric locomotives. In 1934-35 the expenditure on overhauls and repairs increased.

4. The more favourable results obtained on the Bombay, Baroda and Central India Railway as compared with the results on the Great Indian

Peninsula Railway are due to the fact that the gross capital expenditure in the former case was reduced to a much larger extent proportionately by the credit for the steam stock released. The actual value of this has proved to be even larger than was originally estimated.

5 The percentages given above have been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra outlay that would have been required for increasing traffic if no electrification had been carried out. This last is, as pointed out in last year's memorandum problematical. Increased traffic has not materialised to the extent anticipated and it is possible that *some part* of the estimated saving should be neglected. If *the whole* of it is neglected, the percentages will be as follows :—

					Great Indian Peninsula. Per cent.	Bombay, Baroda and Central India. Per cent.
1930-31	..	..	..	..	3.12	3.18
1931-32	..	..	..	..	3.58	3.46
1932-33	..	..	..	..	3.49	3.77
1933-34	..	..	..	..	3.24	4.61
1934-35	..	..	..	..	2.87	5.58

6. As was pointed out last year, the real percentage of net savings for each railway probably lies between the figures in paragraphs 2 and 6 and, in all probability, more near the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case even if electrification had not been introduced, in order to improve the capacity of the line, though it is not now possible to state with any degree of accuracy the number of additional steam locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that, though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, land for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

STATEMENT ' A '

Financial results of the Great Indian Peninsula Railway Electrification Schemes

Particulars.	Estimate all Sections elec- trified Total Estimates.	Actuals including percentage cut.				
1		1930-31	1931-32	1932-33	1933-34.	1934-35.
		3	4	5	6	7
1. Traffic in lakhs of train miles (Steam) ..	55 40	12 50	41 87 In lakhs of Rupees.	11 21	41 85	41 80
2. Gross outlay on electrification	950 90	942 65	953 93	959 72	959 78	959 20
3. If no electrification estimated extra steam outlay for increased traffic ..	175 93	175 93	175 93	175 93	175 93	175 93
4. Cost of steam stock released because of electrification .	254 71	172 98	172 98	172 98	172 98	172 98
5. Net outlay on electrification (item 2—item 3—item 4)	520 26	593 74	605 20	610 81	610 87	610 29
6. Cost of Steam Working, i.e., working expenses excluding depreciation .	158 54	116 38	114 65	112 85	114 60	114 46
7. Cost of Electrical Working, i.e., working expenses excluding depreciation .	87 52	72 85	66 83	65 08	68 81	71 67
8. Gross savings in Working Expenses due to (electrification (item 6—item 7) .	71 02	43 53	47 82	47 77	45 79	42 79
9. Depreciation on gross outlay on Electrification .	27 20	23 82	24 12	24 66	24 67	24 65
10. Depreciation on Steam Outlay avoided ..	10 88	8 81	8 81	8 81	8 81	8 81
11. Increase in annual depreciation due to Electrification (item 9—item 10) ..	16 32	15 01	15 31	18 85	15 86	15 84
12. Net savings on working expenses due to Electrification (item 8—item 11) ..	54 70	28 52 Percentage	32 51	31 92 ges.	29 93	26 95
13. Percentage of gross savings on gross outlay (Item 8 × 100). (item 2) ..	7 47	4 62	5 01	4 98	4 77	4 40
14. Percentage of gross savings including depreciation on electrical assets only— (Item 8-9 × 100) .. Item 2 ..	4 61	2 09	2 48	2 41	2 20	1 89
15. Percentage of gross savings on net outlay— (Item 3 × 100) Item 5 ..	13 65	7 33	7 00	7 82	7 50	7 01
16. Percentage of net savings on gross outlay (Item 12 × 100) Item 2 ..	5 75	3 03	3 41	3 33	3 12	2 81
17. Percentage of net savings on net outlay— (Item 12 × 100) Item 5 ..	10 51	4 80	5 37	5 23	4 90	4 4

Financial results of Suburban Electrification of the Bombay, Baroda and Central India Railway.

No.	Particulars.	Estimates 1931-32.	Actuals 1932-33.	Actuals 1933-34	Actuals 1934-35.
1	Traffic in lakhs of train miles (Steam)	16.60	12.56	14.00	14.07
			(Lakhs of Rupees.)		
2	Gross outlay on Electrification ..	204.28	202.90	202.90	202.90
3	If no electrification, estimated extra steam outlay for increased traffic	72.00	72.00	72.00	72.00
4	Cost of steam stock released because of electrification. ..	50.00	68.79	68.79	68.79
5	Net outlay on Electrification (Item 2—Item 3—Item 4) ..	82.28	62.11	62.11	62.11
6	Cost of steam working—working expenses excluding depreciation ..	37.55	25.82	28.78	28.92
7	Cost of Electrical working—working expenses excluding depreciation ..	21.16	16.73	18.57	17.40
8	Gross savings in working expenses due to Electrification (Item 6—Item 7) ..	16.39	9.09	10.21	11.52
9	Depreciation on gross outlay on Electrification at 3 per cent. (Item 2)	6.12	6.09	6.09	6.09
10	Depreciation on steam outlay avoided at 3 per cent on items 3 and 4 ..	3.66	4.22	4.22	4.22
11	Increase in annual depreciation charges due to Electrification (Item 9—Item 10) ..	2.46	1.87	1.87	1.87
12	Net savings in working expenses due to Electrification. (Item 8—Item 11)	13.93	7.22	8.34	9.65
			Percentages.		
13	Percentage of gross savings without allowing for depreciation on gross outlay $\frac{(\text{Item } 8 \times 100)}{\text{Item } 2}$..	8.02	4.48	5.03	5.68
13A	Percentage of gross savings (after allowing for depreciation on electrical outlay) on gross outlay $\frac{(\text{Items } 8-9 \times 100)}{\text{Item } 2}$	5.03	1.48	2.03	2.68
14	Percentage of gross savings on net outlay $\frac{(\text{Item } 8 \times 100)}{\text{Item } 5}$	19.92	14.63	16.44	18.55
15	Percentage of net savings (after allowing for depreciation) on gross outlay $\frac{(\text{Item } 12 \times 100)}{\text{Item } 2}$	6.82	3.56	4.11	4.76
16	Percentage of net savings (after allowing for depreciation) on net outlay $\frac{(\text{Item } 12 \times 100)}{\text{Item } 5}$	16.93	11.62	13.43	15.54
17	Percentage of net savings (after allowing for depreciation on actual gross outlay (of 202.90) with traffic of 16.60 lakhs train miles	6.86	4.70	4.87	5.62

APPENDIX VI.

Memorandum by the Railway Board on the enquiry conducted by Mr F. A. Pope.

To ascertain whether further economies were possible on Indian Railways, the Government of India obtained, by the kindness of the London Midland and Scottish Railways, the services of Mr Pope, General Executive Assistant to the President of that railway. Mr Pope who had been closely in touch with the various processes of rationalization put into practice in recent years on the London Midland and Scottish Railway was in India from December 1932 to February 1933

2 In view of the shortness of Mr Pope's visit, it was decided that he should concentrate his attention on the Great Indian Peninsula Railway and inaugurate a detailed analysis of important activities of railway operation—"job analysis"—on that line. It was arranged to associate with him certain officers of other railways who could observe his methods and, if necessary, continue the investigations after his departure from the country. The following were the officers selected for the purposes—

Mr. J. A. Bell, Divisional Superintendent, East Indian Railway.

Lt.-Col. C. F. Carson, R.E., Divisional Superintendent, North Western Railway.

Mr. R. C. Case, Deputy Transportation Superintendent, Great Indian Peninsula Railway

Mr. G. S. G. Higginson, District Transportation Officer, Bengal Nagpur Railway

Mr. G. A. R. Trimming, Deputy Chief Mechanical Engineer, East Indian Railway

3 Mr Pope and these officers worked on the Great Indian Peninsula Railway during the months of January and part of February 1933. By the end of February Mr Pope presented a report to the Railway Board, copies of which are in the Library of the Legislature. In his covering letter, which is printed at pages vii and viii of the Report, Mr. Pope pointed out that already a large number of economies had been effected on Indian railways and there were no big individual economies left except the better use of locomotive power, and possible further amalgamation of railways, both of which are now under separate consideration. He, however, was emphatically of opinion that considerable savings would be found possible if a detailed analysis of every operation conducted on a railway "job analysis" were undertaken. For this purpose, he pointed out that it was necessary to have a continual organised research and investigation

4. In accordance with this recommendation, which is further elaborated on page iv of the Report under the "Summary of conclusions and recommendations", it was decided to start job-analysis on all State-managed Railways, and the State Railway officers who were originally

associated with Mr. Pope were selected to carry on the various investigations. Later similar organisations were started on most Company-managed railways as well and at the present moment such organisations exist on ten railways, as shown below --

Railway.	Officer appointed.	Substantive position.	Date of appointment.
E. I. Railway	Mr. J. A. Bell	Divisional Superintendent	1-3-1933
N.-W. Railway	Lt.-Col. F. C. Carson	Ditto	1-3-1933
G. I. P. Railway	Mr. R. C. Case	Deputy Transportation Superintendent	1-3-1933
E. B. Railway	Mr. G. A. R. Trimming	Dy. C. M. E., E. I. R.	1-3-1933
B. N. Railway	Mr. G. S. G. Higginson	Dist. Transportation Officer	1-4-1933
Burma Railways	Mr. W. J. Air	Asstt. Engineer	15-5-1933
A. B. Railway	Mr. Prendergast	Personnel Officer	3-7-1933
B., B. & C. I. Railway	Mr. B. C. Covell	Dy. Agent (Senior)	2-10-1933
M. & S. M. Railway	Mr. C. H. C. Bowen	Dist. Engineer	28-10-1933
S. I. Railway	Mr. C. Middleton	Dist. Engineer	1-5-1933

5. These officers continue to draw, while engaged on this work, the pay which they otherwise would have received. They have, since their appointment, organised a small staff to assist them in their operations. On some railways it has been found necessary to have an additional officer to assist in the investigation. The total cost involved during 1933-34 is estimated at Rs. 3 lakhs.

6. When this research work was initiated, the Railway Board asked Railway Administrations to report progress every six months to indicate what economies had been recommended by these officers. The first six monthly progress reports from the important State Railways have now been received and show that, while the research work is only in its initial stages, the analyses already undertaken cover a large variety of railway operations; including, indeed, such widely diverse matters as administrative organisation, intensive use of locomotives, reduction of shunting charges, savings in shed maintenance, painting of structures, reduction in the use of stationery, bigger loads of trains, improved routing of traffic, better utilisation of scrap, and many others. Moreover, on the principle of no saving being too small to be ignored, small economies have been suggested in such items as the process of copying correspondence, the clearing of points, the use of lights and fans, and even in the curtailment of number of newspapers taken. So far as can be gauged at present, it is apparent that substantial savings in working expenses may be anticipated from the work now being carried on by these officers, justifying the small special research organisations which have been set up on each railway. Brief particulars of the savings anticipated on the four State-

managed railways shown in their first six monthly progress reports are given below :—

- (a) On the *East Indian Railway* it is anticipated that, in connection with only 9 items of railway operation, savings amounting to Rs 1½ lakhs have been effected during 1933-34 and it is hoped that this may increase to two lakhs in 1934-35. In addition, 26 other items are still under investigation and if the savings anticipated on these materialize they will amount to about 3½ lakhs.
- (b) On the *Great Indian Peninsula Railway* altogether 64 different items of operation have been analysed, and the possible savings up to September 1933 are placed at 2½ lakhs, which it is anticipated may increase to 6½ lakhs during the whole year. It would, however, be optimistic to assume that the administration will benefit to this extent immediately as the powers of retrenchment must, to some extent, be gradual.
- (c) On the *North Western Railway* some 11 different items of operations have been analysed but as these have been conducted at many different stations (as for instance shunting costs, shed maintenance, etc.), the aggregate number of analyses undertaken up to the submission of the progress report amounts to no less than 78. If all the recommendations are finally accepted the savings estimated on an annual basis would amount to 12 lakhs; of this amount already 5½ lakhs have been accepted as attainable by the departments concerned. It is estimated that during the year 1933-34 1½ lakhs may be saved.
- (d) During the first six months of "job analysis" on the *Eastern Bengal Railway* a large number of detailed analyses have been carried out covering operations in the Mechanical Traffic, Engineering, and Stores Departments. During the present year the savings resulting from these are estimated at over 2 lakhs, a figure that, it is hoped, will increase considerably in future years.

7 The results to date after six months careful detailed analysis of such operations as have already been examined on four railways may be classified as below :—

Savings in 1933-34.			Future Savings		
(a) claimed as made			(a) estimated as attainable, or		
(b) estimated as possible.			(b) accepted, or		
			(c) under consideration.		
	(In lakhs).	Rs		(In lakhs.)	Rs.
1. E. I. Railway	1.50(a)	1 50	1. E. I. Railway	3.51(c)	3 51
2. G. I. P. Railway	2.50(b)	2 50	2. G. I. P. Railway	6.50(a)	6 50
3. N. W. Railway	1.50(b)	1 50	3. N. W. Railway	5.75(b)	5 75
4. E. B. Railway	2.00(b)	2 00	4. E. B. Railway	4.00(a)	4 00

It should be realized that all these figures, including even that of the East Indian Railway in the first column, should be accepted with reserve,

for retrenchment must be a slow and deliberate process. It is felt, however, that the results, so far, are sufficiently encouraging, more especially as "job analysis" has been in force for a comparatively short time. It should, moreover, be borne in mind that this process of research has only so far been applied to a certain number of operations and there are still large numbers waiting to be examined. On the London Midland and Scottish Railway the process of 'job analysis' was started some years back, and is still being carried on, as there is much ground remaining to be explored.

8. In addition to the 'job analysis' organizations working on each railway, the Railway Board themselves are examining certain other subjects recommended in Mr. Pope's report, among them being :—

- (a) the better use of locomotives ;
- (b) the better use of railway land ;
- (c) the more careful listing of surplus track, equipment, and accommodation ;
- (d) additional research and experiments ;
- (e) improved workshop practice, especially in regard to standardization of pattern design, the use of scrap, and the compilation of 'cost' data ,
- (f) possibility of reducing hot axles.

As regards item (e) a small Committee is now engaged in investigating the compilation of "cost" data.

9. In recommending the initiation of 'job analysis' on each Railway Mr. Pope emphasized that no individual or railway has a monopoly of ideas or efficiency, and to ensure the proper pooling and wide application of all available economies he suggested that officers engaged on this research should hold periodical meetings to exchange ideas. This suggestion is being followed.

10. As the Committee are aware, Mr. Pope's services have again, through the kindness of the London Midland and Scottish Railway, been secured for Indian Railways during this winter ; and he has been employed in making a more detailed investigation into the other State-managed Railways and examining the work done during the year by Railway Administrations themselves.

APPENDIX VII.

Memorandum by the Railway Board on the progress of ' job analysis ' on Indian Railways up to 31st March 1934.

In February last, the Railway Board placed before the Standing Finance Committee for Railways a memorandum describing briefly the results of Mr. Pope's first visit to India, and explaining that small organisations for conducting a detailed examination of all railway activities—called by Mr. Pope ' Job Analysis '—had been set up on principal railways. A summary of the results of this work, as claimed and estimated then, was given, and these were shown to be sufficiently encouraging to justify a continuation of the organisations.

2. Further reports on ' job analysis ' from certain railways are now to hand, giving the progress up to the end of the official year 1933-34. These show that the work is being continued with vigour and with an encouraging degree of success. The more interesting features of these reports are summarised in the following paragraphs :—

3. (a) On the *East Indian Railway* considerable savings have been effected during the official year 1933-34, generally under three headings :—

- (i) Economies in expenditure on fuel by substituting cheaper for more expensive coal and obtaining coal from nearer collieries ;
- (ii) Better utilisation of scrap metal ; and
- (iii) Reduction of staff

The total savings, effected during the year, amounted to Rs. 7,01,083, which has been checked and certified as correct by the Chief Accounts Officer, while the total cost of the ' job analysis ' organisation during the year amounted only to Rs. 77,691

It is reported that investigations under 20 separate heads are also in progress, covering such extensive ground as the organisation of the Stores Department, running sheds, sick line work, station work and marshalling yards ; and including such varied items as the increased loads of goods trains, the intensive use of coaching stock, reduction in the use of stationery, reclamation of oil from used waste from axle boxes, the use of pulverised coal in stationary boilers, and the compilation of fuel and commercial statistics on Hollerith machines.

(b) On the *Great Indian Peninsula Railway*, the cost of ' job analysis ' during the year 1933-34 amounted to Rs. 56,680 and the savings effected to Rs. 4,29,482, chiefly under wages. Since the initiation of the work on this railway, no less than 136 separate investigations have been started, covering many widely divergent activities. The cost of staff in many of the departments has been, and is still being, scrutinised, and considerable reductions have been found possible. The Nagpur Division has

been merged in the Bhusaval Division and further important developments are forecasted in the intensive use of locomotives, regarding which a separate report will shortly be available.

(c) On the *North Western Railway* the cost of 'job analysis' for the year 1933-34 amounted to Rs 32,000 and the savings effected during the same period to Rs. 12,66,749. One of the most important investigations undertaken on the North Western Railway dealt with the maintenance of track, and resulted in savings amounting to Rs 5,23,629. This saving has been effected under "Maintenance of Way and Works", the bill for which generally accounts for about 15 per cent. of the working expenses of railways. Another Rs 2½ lakhs has been saved by careful analysis of shunting and other activities at stations, and a further sum of over a lakh by improved methods of utilising scrap. Analysis is still being continued in connection with track and other maintenance, the operation of running sheds, and the working of marshalling yards and goods sheds. Considerable work still remains to be done in the analysis of the work of clerical staff, and further reports are shortly promised in connection with the work done in certain Stores depots. It is also hoped to initiate shortly an important investigation, aiming at further co-ordination of all mechanical workshops

(d) On the *Eastern Bengal Railway* the cost of 'job analysis' for the year ended 1933-34 amounted to Rs 63,000 per annum, whereas the annual saving effected on one item alone, viz., reduction of station staff, amounted to more than this sum. Actually a conservative estimate places the economies effected during the year at Rs 2,14,864. This figure is chiefly made up of wages.

One interesting detailed investigation conducted on the Eastern Bengal Railway dealt with the maintenance of Block Instruments and Fixed Signals. Every operation, however small, in connection with this work was scrutinised and tested, and it was found that, if conducted to a reasonable time table, the work could be carried out with considerably less staff. The savings effected during 1933-34 amounted to Rs. 38,000.

Investigations into the better use of locomotives and coaching stock have already produced substantial results. On two districts the daily mileage of locomotives has been appreciably raised, and on the Calcutta suburban services, it has been found possible to provide increased trains with fewer coaching rakes. These analyses are still proceeding.

Further savings are forecasted in purchases of less quantity of high grade coal, and the abandonment of certain telegraph lines, with a consequent saving of rent.

(e) On the *Bombay, Baroda and Central India Railway* 'job analysis' started later at the beginning of October 1933. The economies actually effected have not been reported, but the annual savings which have been recommended and accepted are estimated to be Rs. 3,52,862 whereas the annual cost of the job-analysing organisation is anticipated to be Rs. 58,789. The principal saving anticipated is under the heading 'intensive use of engines', accounting for nearly Rs. 1½ lakhs. Analysis of the work in certain workshops and traffic stations is expected to result in a further saving of about Rs. 1½ lakhs.

4. The table below shows the savings effected on the five railways mentioned above, together with the cost of the job-analysing organisation on each railway for the year 1933-34 :—

Railway.	Cost of ' job analysis ' organisation.	Savings effected
	Rs.	Rs.
East Indian Railway	77,691	7,01,083
Great Indian Peninsula Railway	56,680	4,15,000
North Western Railway	32,000	12,66,749
Eastern Bengal Railway	63,000	2,14,864
Bombay, Baroda and Central India Railway	58,789*	3,52,862*
Total ..	2,88,160	29,50,558

* Only estimated annual figure.

APPENDIX VIII

COPY OF LETTER No 8593-F., DATED THE 21ST AUGUST, FROM THE RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENT, NORTH WESTERN RAILWAY, REGARDING IRREGULAR BALANCES UNDER WORKSHOP MANUFACTURING SUSPENSE ACCOUNT OF THE LOCOMOTIVE WORKSHOPS, MOGHALPURA, FURNISHED TO THE PUBLIC ACCOUNTS COMMITTEE IN SEPTEMBER 1935 IN ACCORDANCE WITH AN UNDERTAKING GIVEN BY THE FINANCIAL COMMISSIONER OF RAILWAYS BEFORE THE COMMITTEE.

With reference to the correspondence resting with your letter No. 256-S/21/3/1933, dated the 22nd July 1935, I am directed to state that the Railway Board, after a very careful perusal of the explanations given, consider that the explanations are far from satisfactory.

2. To begin with, the Railway Board observe that the main cause for the accumulation of the inefficient balances in the workshop manufacturing suspense account was the radical change made in April 1928 in the procedure of booking expenditure, and that this radical change, which, in the opinion of the administration, required really an expert accountant to initiate and supervise, was left to be inaugurated by the Production Engineer without any assistance from the Accounts Department. They also observe that this change was made in consultation with the then Chief Auditor of the railway and, so far as can be ascertained, without the written approval of any authority higher than the heads of departments concerned. The Board do not think that such vital changes in accounts procedure should have been initiated without the consultation of higher accounts or administrative authorities, and are of the opinion that the then Chief Auditor should have paid more attention to evolving a suitable accounts procedure to fit in with the reorganisation and to placing at the disposal of the Production Engineer a person with the necessary experience of workshop accounts to assist him in details.

3. Another cause for the growth of the inefficient balance in this case was, it is noticed, the irregular system, which was then in force in the workshops, of manufacturing material in excess of requirements. It is stated that this was probably a legacy from the past when all expenditure in the workshops was charged to revenue repairs. That such a state of affairs should have been allowed to continue reflects, in the opinion of the Railway Board, seriously on the efficiency of the supervision exercised over the working and management of the workshops.

4. The Railway Board further observe that no explanation has been offered on the first point raised in their letter No. 8593-F., dated the 12th June 1935, namely, the failure to exercise the fundamental and obvious check of the quantities of articles manufactured in the shops with the quantities issued and of the quantities issued by the shops with the quantities acknowledged by stores. For this also the Railway Board hold the Audit and Accounts Department, and in a lesser degree, the workshop management, responsible.

5. In conclusion, I am to state that the Board feel greatly disturbed by the state of affairs revealed by this case, and trust that you are taking steps to impress on all the workshop staff, both accounts and executive, the lessons to be learnt from this case and that you are taking adequate measures to prevent the recurrence of such cases.

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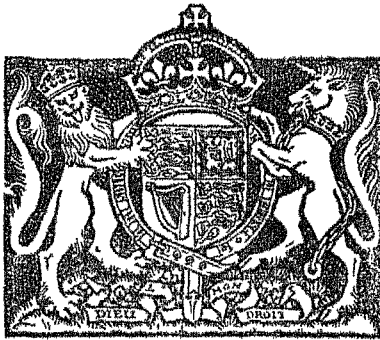
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REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1934-35

VOLUME I—REPORT

PART II—RAILWAYS



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(iii)

Composition of the Committee on Public Accounts in 1936. (Vide rule 51 of the Indian Legislative Rules.)

Chairman.

1. The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member.

Elected Members.

Date of election

- | | | | | |
|---|----|----|----|------------------|
| 2 Mr B DAS | . | .. | .. | 23rd March 1935. |
| 3. Prof N G. RANGA | .. | . | .. | Do. |
| 4. Dr. THEIN MAUNG | . | .. | .. | Do. |
| 5 Mr J. RAMSAY SCOTT | .. | . | .. | Do. |
| 6. Captain Sardar SHER MOHAMMAD KHAN,
C I E , M B.E. | | | | 23rd March 1936. |
| 7 Mr. S. SATYAMURTI | .. | .. | .. | Do. |
| 8 Maulvi Sir MOHAMMAD YAKUB | .. | .. | .. | Do. |
| 9. Bhai PARMANAND | .. | .. | .. | Do. |

Nominated Members.

Date of Nomination.

- | | | | |
|--|----|----|------------------|
| 10. Dr R. D. DALAL, C.I.E. | .. | .. | 30th April 1935. |
| 11. Rai Bahadur Sir SATYACHARAN MUKHERJEE,
C.B.E. | | | Do. |
| 12. Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA | | | Do. |

Report of the Public Accounts Committee on the accounts of 1934-35.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating and control of expenditure.

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end and the actual results :—

	(Lakhs of rupees)		
	Budget.	Revised.	Actuals
(1) Traffic receipts (less refunds)	89.00	90.75	90.20
(2) Miscellaneous receipts	2.27	2.01	1.86
(3) Working expenses	63.25	63.83	63.99
(4) Miscellaneous expenditure	1.27	1.33	1.33
(5) Interest charges	32.05	31.84	31.80
(6) Surplus (+) Deficit (-)	-5.30	-4.24	-5.06
(7) Contribution to general revenues . . . . .	.	.	.
(8) Payments to (+) Withdrawals from (-) Reserve . . . . .	.	.	.
(9) Loans from Depreciation Fund	5.30	4.24	5.06

2. The deficit of Rs. 5.06 lakhs was met by a loan from the Depreciation Fund and of course once again the prescribed contribution to general revenues could not be paid during the year under review.

3. The following table compares the final voted grants with the expenditure against those grants :—

Voted.	(Lakhs of rupees).				
	Original.	Supple- mentary grant.	Final grant.	Actual expendi- ture	Excess (+) Savings (-).
<i>Expenditure charged to Revenue.</i>					
1. Railway Board	8.45	.	8.45	8.14	—31
2. Audit	12.95	.80	13.75	13.76	+01
3. Miscellaneous expenditure	10.60	.	10.60	9.63	—97

Voted.	(Lakhs of rupees.)				
	Original.	Supple- mentary grant.	Final grant.	Actual expendi- ture	Excess (+) Savings (—)
<i>Expenditure charged to Revenue—contd.</i>					
4. Refunds	12·00	.	12·00	12 39	+ 39
5. Payments to Indian States and Companies	3,37·00	.	3,37·00	3,43 55	+6·55
6-A. <i>Working expenses</i> .—Main- tenance of structural works ..	8,45 75	11·50	8,57·25	8,57 00	—·25
6-B. <i>Working expenses</i> .—Main- tenance and supply of loco- motive power	16,61·50	..	16,61 50	16,72·75	+11·25
6-C. <i>Working expenses</i> .—Main- tenance of carriage and wagon stock	5,63·75	18·00	5,81 75	5,89 92	+8·17
6-D. <i>Working expenses</i> .—Main- tenance of ferry steamers and harbours	27·45	3 90	31 35	31 15	—·20
6-E. <i>Working expenses</i> .—Expens- es of traffic department	10,30·75	12·85	10,43 60	10,46 45	+2·85
6-F. <i>Working expenses</i> .—Expens- es of General Departments .	4,58·50	..	4,58 50	4,50·55	—7 95
6-G. <i>Working expenses</i> .—Miscella- neous expenses	4,07·90	15·30	4,23·20	4,15·16	—8·04
6-H. <i>Working expenses</i> .—Electric service department ..	1,17 30	2·35	1,19 65	1,18·49	—1·16
7. Appropriation to Depreciation Fund	13,65·00	8·00	13,73·00	13,71·77	—1 23
8. Interest charges	2·83	..	2·83	2·80	— 03
<i>Expenditure charged to Capital and Depreciation Fund.</i>					
9. Temporary withdrawals from Depreciation Fund	5,33·22	..	5,33·22	5,06·25	—26·97
11. New Constructions	11·00	15·00	26·00	17·13	—8·87
12. Open line works	13,22·00	·01	13,22·01	8,74·16	—4,47·85

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below :—

Non-voted	(Lakhs of rupees)				
	Original appropriation	Supplementary appropriation.	Final appropriation.	Actual expenditure	Excess(+), Savings(—)
<i>Expenditure charged to Revenue</i>					
1. Railway Board	4 10	— 37	3 73	3 70	— 03
2. Audit	3 30	— 02	3 28	3 31	+ 06
3. Miscellaneous expenditure ..	10 60	1 91	12 51	12 78	+ 27
6. Working expenses—					
A. Maintenance of structural works	32 00		32 00	32 47	+ 47
B. Maintenance and supply of locomotive power	15 77	— 1 08	14 69	14 60	— 09
C. Maintenance of carriage and wagon stock	9 10	— 95	8 15	8 07	— 08
D. Maintenance of ferry steamers and harbour	24		21	27	+ 03
E. Expenses of Traffic Department	16 62	— 06	16 56	16 41	— 15
F. Expenses of General Departments	25 25	— 52	24 73	24 48	— 25
G. Miscellaneous expenses	12 10	2 70	14 80	14 74	— 06
H. Electric service department	1 02	02	1 04	1 03	— 01
8. Interest charges	32,02 34	— 20 93	31,81 41	31,77 26	— 4 15
<i>Expenditure charged to Capital.</i>					
11. New Construction .. . . .	..	1 16	1 16	1 13	— 03
12. Open line works	2 00	73	2 73	2 44	— 29
Discharge of debentures .. . . .	..	39 93	39 93	39 86	— 07

5. *Excesses over voted grants.*—The excesses over voted grants which require to be regularised by excess votes of the Legislative Assembly are shown below :—

Demand No	Final grant	Actual expenditure.	Excess.
	Rs	Rs	Rs
2—Audit	13,75,000	13,76,113	1,113
4—Refunds	12,00,000	12,38,914	38,914
5—Payments to Indian States and Companies	3,37,00,000	3,43,54,609	6,54,609
6 B <i>Working expenses</i> —			
Maintenance and supply of locomotive power	16,61,50,000	16,72,74,912	11,24,912
6—C. <i>Working expenses</i> —			
Maintenance of carriage and wagon stock	5,81,75,000	5,89,92,265	8,17,265
6—E. <i>Working expenses.</i> —			
Expenses of traffic department	10,13,60,000	10,46,15,458	2,85,458

The small excess under Demand No. 2 was due to higher expenditure on leave salaries and gratuities to retiring staff than was allowed for when the supplementary grant was obtained. The excess under Refunds was due to the difficulty of accurately estimating under this Demand. As regards the excess under Demand No. 5, it was originally intended to ask for a supplementary grant of Rs 9,60,000 which the Standing Finance Committee had actually approved but in view of later information, a supplementary grant was considered unnecessary. More freight and handling charges on 'fuel' on several railways and heavier repairs of locomotives accounted for the excess under Demand No. 6-B. The excess under Demand No. 6-C. was due in part to the charging off of the cost of certain Diesel engines to revenue and to heavier repairs to carriage and wagon stock on account of increased traffic requirements. The excess under Demand No. 6-E was due to a lack of uniformity in booking receipts and payments on account of inter-railway transactions for running powers by the different railways. The percentages of the excesses in the six cases are .07, 3.24, 1.94, 68, 1.41 and .27 respectively. There were excesses under six Demands during the year as compared with three in the previous year. We recommend that the Assembly assent to the excess demands which will be placed before them by Government in due course.

6. The excesses over non-voted appropriations were four during the year against two in 1933-34.

7. Taking the total railway expenditure both voted and non-voted, there was an excess of Rs. 5 lakhs or .05 per cent. under expenditure charged to revenue and a saving of Rs. 4.84 lakhs or 25.14 per cent. under

capital expenditure The position in this respect compares as follows with the last four years :—

Expenditure charged to revenue (excluding appropriations to and from the Reserve Fund)

Year	(Lakhs of rupees)		
	Final grant and appropriation	Savings(—) or excess(+).	Percentage of column (3) to column (2).
1930-31	105.11	--2.98	2.83
1931-32	101.38	--1.24	4.18
1932-33	97.36	--.37	.38
1933-34	96.81	--.4	.04
1934-35	102.48	+.5	.05

Expenditure charged to Capital and Depreciation Fund

1930-31	25.74	--1.14	4.39
1931-32	29.18	--4.95	16.96
1932-33	19.55	--2.66	13.60
1933-34	17.54	--3.03	17.42
1934-35	19.25	--4.84	25.14

Under expenditure charged to revenue, the variation in the total as compared with the final allotment amounted to .05 per cent. In the recent past, the tendency was towards savings. In the year under review, however, there has been a small excess. We noticed that in a good many cases there were excesses even over final appropriations. Had current control been fully effective, we believe that the excesses in at least some of the cases could have been avoided. We were given to understand that the Railway Board have recently instructed railways to conduct a review of expenditure three times a year with a view to bringing to the notice of Government cases where expenditure in excess of the sanctioned grant appeared certain, after taking into account feasible re-appropriations. We would urge that a strict watch should be maintained upon the observance of these instructions. Discrepancies between the revised estimates and final figures generally signify imperfect current control.

Under capital expenditure, there was the usual enormous saving. Against a budget provision of Rs. 13.35 crores under Grants No. 11 and 12, the actual expenditure was Rs. 8.94 crores. It was explained to us that of this saving of about Rs. 4½ crores, rolling stock accounted for a crore, while the expenditure under the Hardinge Bridge Protection

Works was less by about half a crore. A further important cause was the repayment of Rs. 20 lakhs of debentures by the Mymensing-Bharab Bazar Railway Company. Notwithstanding the special circumstances that were responsible for savings in certain cases we have no hesitation in observing that the estimating of capital expenditure was unsatisfactory. The Financial Commissioner explained that in dealing with the estimates for 1936-37, the Railway Board had effected a lump cut of Rs. 1½ crores for probable savings on the estimates of railways to counter the overestimation which occurred in the earlier years. This is no doubt a wise precaution but we wish to point out that an arbitrary lump cut has the danger of causing undesirable variations unless the reduction is properly distributed. We recommend therefore that the cuts should be allocated as far as possible to heads where they are practical and within the control of railways. We would also add that once cuts have been made in the estimates, every effort should be made to restrict expenditure to the reduced scale.

We would also observe that, on the experience of past years, the capital budget could have stood a cut of considerably more than 1½ crores.

8. *Irregular re-appropriations*—Under Rule 52 (2) of the Indian Legislative Rules we have to bring to the notice of the Assembly every reappropriation from one grant to another and every reappropriation within a grant which is not in accordance with the prescribed rules. During the year under review the following reappropriations were sanctioned by Railway Administrations which were not strictly within their powers —

- (1) *Grant 6-D*—The Assam Bengal Railway transferred Rs. 22,000 from Grant No. 6-D to Grant No. 6-F (Rs. 5,000) and Grant No. 6-G. (Rs. 17,000)
- (2) *Grant No. 6-E*.—The Jodhpur Railway increased Grant No. 6-E by Rs. 9,000 by transferring small amounts from Grants No. 6-B (Rs. 2,000) No. 6-C (Rs. 1,000) No. 6-F (Rs. 5,000) and No. 6-G (Rs. 1,000)

Financial Position of Railways

9 In our report last year we dwelt at some length on the financial position of the Railways. During the 5 years 1930-31 to 1934-35 the total deficit on the working of the Railways amounted to 37½ crores. In 1935-36, though the Budget provided for a deficit of only 2 crores, the actual deficit was about 4 crores. We remarked last year that the position was actually more disquieting than these figures indicated as, under the accounting system in force, certain expenditure which should be charged to revenue was being charged to capital. We were informed that the questions of a proper allocation of expenditure between capital and revenue, of the contribution to the Depreciation Fund and of the amount to be provided from railway revenues for the amortisation of railway debt were under the consideration of the Government of India. In paragraph 120 of the Financial Commissioner's Review a summary of the proposals of the Government of India regarding these questions has been given, and it

appears from paragraph 121 of the Review that, if all these proposals, which the Auditor-General has described as "undoubtedly sound", are to be given effect to, the gap between railway revenue and expenditure would be at least 10 crores. At the present moment it is quite impossible to put the whole of these proposals into operation. We think that they should be carried into effect as soon as circumstances permit and in the meantime we fully support the decision of Government that the defects in the allocation of expenditure between capital and revenue should be immediately remedied even though it involves an increase in the apparent deficit of something like 50 lakhs a year.

But accounting alterations cannot solve the main problem. They can only serve to shew up its true magnitude. The problem is to bridge a gap of something like 10 crores and naturally this is the problem to which we have principally devoted our attention.

In our report last year we said :—"We are well aware that a restoration of economic prosperity is the most satisfactory means of effecting this but we do not see in the present condition of world affairs any certitude that this will be at all rapid. We think, therefore, that it is vitally necessary that the Railway Board should conduct an exhaustive review of their freight and fares policy and should consider every possible means of increasing their revenue. Apart from what is normally understood by reviewing freight policy, we urge that they should press on with their consideration of the steps required to meet road competition. We do not at all intend to imply that the expenditure side should be neglected. We are most reluctant to accept the Railway Board's estimate of the possible further economies and we think that the search for them must be relentlessly pursued. But we are prepared to believe that an increase of receipts is, in the present circumstances, likely to be the more important factor in the restoration of financial stability."

We are informed that the question of Road-Rail competition has been exhaustively considered by the Transport Advisory Council and that as a consequence a programme of remedial measures has been decided upon. We gather, however, that the effect of these will be rather to prevent further deterioration in the position of the Railways than to bring back to them any substantial amount of the lost traffic.

As regards freight and fares policy we understand that alterations have been adopted designed to yield an extra $1\frac{1}{2}$ crores a year but it is yet too early to say whether these anticipations will be fully realised. Indeed we gather that the opinion of the Railway Board now is that until the price structure in India has altered materially, there is little room for further large increases in rates and fares. Thus, contrary to what we thought last year, it would now appear that the solution of the problem of fully restoring solvency must in the main rest on measures other than increases of freights and fares.

Of course the suggestion is often made that the Railways would be perfectly solvent if only the general Budget would assume certain liabilities which now fall upon the Railways or pay to the Railways more than they do at present for certain services. In this connection we have particularly in mind the cost of the so-called strategic railways and the

fact that certain bulk traffic for Government Departments is carried at less than public, though at fully remunerative, rates. But though such a transfer from the Railway to the general Budget would undoubtedly assist the Railways, it would differ not at all from placing on the general Budget the task of meeting *pro tanto* Railway deficits and would, therefore, leave the position as regards financing the constitutional reforms—and it is in connection with this after all that the solvency of the Railways assumes its special significance—unaltered. We have accordingly not spent much time in considering suggestions of this nature. We have, however, considered whether automatic alleviations can be expected of themselves to remedy the position in the course of a few years. But even after allowing for a continuous if moderate trade improvement, for all probable debt conversions and for the effect of the revised pay scales for new entrants we cannot see how, at the end of three years from now, the Railways can be less than 7 or 8 crores short of full commercial solvency. There would moreover still be a substantial deficit if we regard it as legitimate to go on making no provision from revenue for writing down capital and equally this would be the case if credit is taken for the losses on strategic railways and for charging Government Departments full public rates—changes which we repeat—we by no means recommend.

This is an alarming prospect and in our view things cannot be left where they now are. We would urge therefore that the Government of India should immediately obtain the services of an acknowledged expert in Railway management to conduct an examination of the whole field and recommend steps which will secure definite (*i.e.*, other than mere hopes of increased revenue due to improving trade) improvements in railway finances to the extent of something like 3 crores a year immediately and ultimately of such magnitude as is required to maintain full solvency on a strict accounting basis. And to avoid misconception we add that the terms of reference should exclude the possibility of securing this end by a mere transfer of liabilities to general revenues.

In making this recommendation that there should be such an enquiry we do not wish to imply for a moment that Railway administrations have made no attempt to restore railways to a position of financial stability. We are satisfied from the evidence which has been placed before us that strenuous efforts have been made during the past few years to effect economies and to stimulate railway revenues, but we feel that nothing should be left undone to secure a re-establishment of the commercial solvency of railways, and we consider that an independent enquiry conducted by a railway expert which we have suggested, will be of great value in attaining the object we have in view.

The non-official members of the Committee wish to place on record their opinion that the report of any such enquiry should be published and that opportunity should be given for a full discussion of it in the Legislature.

Miscellaneous.

10. There are certain points which we noticed in the course of our examination of the appropriation accounts to which we desire to draw specific attention. We observed that “unanticipated credits” were being used to increase expenditure beyond that provided for in the original

estimates. We appreciate that this is permissible under the strict terms of the Government of India Act and we realise that such cases are reported to the Public Accounts Committee. But we think that it would be useful if, in future, the Financial Commissioner of Railways could arrange to give particular attention to such cases in his Review and incidentally to show the gross and not the net excesses. In other words, he should report the excesses of expenditure as they would be without the unanticipated credits and deal with them on that basis throughout the year in the exercise of his functions of control. Our attention was also drawn to a number of instances of works expenditure held under audit objection for want of sanction pending the submission of completion reports. We view with grave concern the dilatoriness in preparing the completion reports and would request Government to remedy the present extremely unsatisfactory state of affairs in this regard. Yet another matter on which we feel strongly is the policy regarding slack coal. The Chief Commissioner of Railways gave us to understand that railways are forbidden to sell slack coal. We press strongly that the railways should be relieved of this restriction as soon as possible, not only on the ground of the inherent financial loss but also on the ground that the present policy is against the interests of public safety. The potential danger in storing slack coal near collieries cannot be underrated.

11. We append to our report minutes of proceedings which we desire to be treated part of the report. We trust that appropriate action will be taken on the observations and recommendations contained in these proceedings. We also wish to record our appreciation of the excellence of the Financial Commissioner's Review and the ready assistance rendered to us in our task by the Chief Commissioner.

P. J. GRIGG

B. DAS

S. SATYAMURTI

N. G. RANGA.

THEIN MAUNG.

MD. YAKUB

RAMSAY SCOTT.

K. SANJIVA ROW.

SHER MD. KHAN.

N. SUNDARESAN.

BHAI PARMANAND.

R. D. DALAL.

S. C. MUKHERJEE.

• FAZL-I-HAQ PIRACHA.

5th September 1936.

Proceedings of the third meeting of the Public Accounts Committee
held on Monday, the 20th July 1936, at 11 A.M.

PRESENT -

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.	}	<i>Members.</i>
Mr. S. SATYAMURTI, M.L.A.		
Professor N. G. RANGA, M.L.A.		
Dr. THEIN MAUNG, M.L.A.,		
Mr. J. RAMSAY SCOTT, M.L.A.		
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.		
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.		
Bhai PARMA NAND, M.L.A.		
Dr. R. D. DALAL, C.I.E., M.L.A.		
Rai Bahadur Sir SATYACTARAN NUKHERJEE, Kt., C.B.E., M.L.A.		
Khan Bahadur Shaikh FAZIL-HAQ PIRACHIA, M.L.A.	}	<i>Were also present</i>
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General		
Mr. B. N. MITRA, Director of Railway Audit.		
Mr. P. R. RAU, Financial Commissioner, Rail- ways.		
Mr. V. S. SUNDARAM, Controller, Railway Accounts.	}	<i>Witnesses.</i>
Khan Bahadur BARKAT ALI, Director of Finance.		

The Committee took up the examination of the appropriation accounts and connected documents relating to the Railway Department.

2. They first took up for consideration the general financial position of the Railways. They were satisfied that the Financial Commissioner's review summarised the position fairly but wished to have some idea of the most recent position. The Financial Commissioner of Railways stated that on the basis of the latest available information he hoped that the results of the current year would show a smaller deficit than the Rs. 3½ crores anticipated in the budget. He hoped that the improvement would be something like a crore of rupees. The Agents of Railways were taking active measures since last year to increase revenue and restrict expenditure. The Committee were promised at a later meeting the extent of savings effected in 1935-36. The question of writing down capital was also discussed at some length in relation to the interest charges of the Railways, but the Committee came to the conclusion that it had no attractive results to offer from the point of view of the general tax-payer.

The Railway Authorities thought that the maximum increase in revenue—taking into account not only freight alteration but any probable improvement in economic conditions—might be taken at about a crore a year, which on the proper commercial basis envisaged in paragraph 121 of the Financial Commissioner's report still left a considerable gap to be bridged. Some members of the Committee asked what savings could be expected by the imposition of a graduated cut on salaries, etc. The Financial Commissioner promised a statement at a later meeting. They further wished to consider in consultation with the Chief Commissioner the desirability of an expert inquiry into the whole question of making the Railways solvent.

3 *Defects in budgeting.*—The Committee thereafter passed on to consider defects in budgeting noticed in paragraph 6 of the Report of the Director of Railway Audit. They were disturbed at the continuance of the very defects noticed last year. The Financial Commissioner admitted that in certain cases the budgeting was faulty, while in some other cases there were extenuating circumstances which rendered the variations from the original estimates excusable. The Committee stressed the desirability of making a suitable overhead cut in the capital expenditure to allow for inevitable delays, etc., though such a device made it incumbent on the Railway Board to distribute it among heads where reductions were practicable and within the control of the Railways. In their opinion discrepancies between the revised estimates and final figures betrayed defective current control. They desired that the question of a lump sum cut in grants other than open line works should be considered.

The Committee adjourned till 2-30 P.M.

**Proceedings of the fourth meeting of the Public Accounts Committee
held on Monday, the 20th July 1936, at 2-30 P.M.**

PRESENT .

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr B DAS, M.L.A.,	}	<i>Members.</i>
Mr. S. SATYAMURTI, M.L.A.		
Professor N G RANGA, M.L.A.		
Dr THEIN MAUNG, M.L.A.		
Mr J RAMSAY SCOTT, M.L.A.		
Maulvi Sir MOHAMMAD YAKUB, Kt, M.L.A.		
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.		
M.L.A.		
Bhai PARMA NAND, M.L.A.		
Dr. R. D. DALAI, C.I.E., M.L.A.		
Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt.	}	<i>Were also present</i>
C.B.E., M.L.A.		
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,		
M.L.A.	}	<i>Witnesses.</i>
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.		
Auditor-General		
Mr. B N. MITRA, Director of Railway Audit		
Mr. P. R. RAU, Financial Commissioner, Rail-	}	
ways		
Mr. V. S. SUNDARAM, Controller, Railway		
Accounts.	}	
Khan Bahadur BARKAT ALI, Director of Finance.		

4 The Committee continued the discussion of the defects in budgeting noticed in the Audit Report and desired to reinforce their last year's exhortation regarding a more rigid control of current expenditure. The Committee discussed the propriety of using unanticipated credits. It was explained to them that when such credits were to be spent on new items, the approval of the Standing Finance Committee was taken but when they were utilised for ordinary expenditure instead of being forced into a supplementary grant, no reference to the Legislature was considered necessary. The Committee then agreed to recommend the total excesses reported

5. The Committee desired that in future the Financial Commissioner should arrange to give in his Review an explanation of the total excesses after excluding the unanticipated credits.

6. With reference to paragraph 15 of the Audit Report, one member of the Committee enquired why re-appropriations were not made more frequently. The Financial Commissioner of Railways drew the attention

of the Committee to certain instructions issued to Railways (Appendix V) stressing on them the need to make reappropriations as and when necessary and to approach the Board in time for applying to the Legislature for additional funds when necessary. The value of a periodic review of the progress of expenditure once in August, later in December and once again in February, was impressed on the Railway Administrations. This would enable them to utilise savings and estimate excesses.

7 The Committee then discussed some of the items enumerated in Annexure A to Part II of the Appropriation Accounts and expressed their dissatisfaction at the delay in the preparation of completion reports.

8 The list of outstanding questions was next taken up for consideration —

Item 1.—The Committee were presented with a memorandum. (Appendix III)

Item 2.—The Committee approved the specific recommendation summarised in paragraph 120 of the Financial Commissioner's Review.

Item 3.—The attention of the Committee was drawn to the instructions issued (Railway Board's letter No. 2326-F.IV, dated the 20th November 1935). (Annexure to Appendix I). The Committee desired an annual report as regards this matter.

Item 4.—The Committee were informed that an officer was being appointed to deal with the matter which according to present computation was expected to be completed within a year.

Item 5.—The Committee decided to examine the Chief Commissioner, Railways, further on the memorandum presented by the Railway Board.

The Committee then adjourned till 11 A.M. on Tuesday, the 21st July 1936.

**Proceedings of the fifth meeting of the Public Accounts Committee held
on Tuesday, the 21st July 1936, at 11 A.M.**

PRESENT :

The Hon'ble Sir JAMES GRIGG, K C B., K C S I., Finance Member,
Chairman

Mr. B DAS, M.L.A.	}	<i>Members.</i>
Mr. S SATYAMURTHI, M.L.A.		
Professor N G RANGA, M.L.A.		
Dr THEIN MAUNG, M.L.A.		
Mr. J RAMSAY SCOTT, M.L.A.		
Maulvi Sir MOHAMMAD YAKUB, Kt, M.L.A.		
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.		
Bhai PARMA NAND, M.L.A.		
Dr R. D. DALAL, C.I.E., M.L.A.		
Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt, C.B.E., M.L.A.		
Khan Bahadur Shaikh FAZL-U-HAQ PIRACHA, M.L.A.	}	<i>Were also present.</i>

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General

Mr. B N. MITRA, Director of Railway Audit.

The Hon'ble Sir GUTHRIE RUSSELL, Kt, Chief
Commissioner, Railways.

Mr P. R. RAU, Financial Commissioner, Rail-
ways

Mr. V. S SUNDARAM, Controller, Railway
Accounts

Khan Bahadur BARKAT ALI, Director of Finance

Witnesses.

9. The Committee resumed the general discussion on the financial position of the Railways and examined the Chief Commissioner of Railways at some length. Sir Guthrie Russell doubted the efficacy of raising freights on goods traffic or passenger traffic as a means of improving revenue. The Committee desired to know if reductions in fares would not help to increase receipts. In reply the Chief Commissioner instanced a recent case on the North Western Railway where a reduction in fares, while resulting in an increase of 13 per cent. in passengers, showed only an infinitesimal increase in earnings. He referred also to similar experiments on the East Indian Railway which had had even less encouraging results. The Committee were, however, assured that different experiments were being pursued on different railways to achieve an improvement in revenue. Referring to the conclusions of the recent conference of the Transport Advisory Council on the question of road-rail competition, the Chief Commissioner expressed his satisfaction that practically

every province had agreed entirely that road traffic should not be allowed to compete with long distance goods traffic by railways, which from the point of view of railways was a much greater menace than passenger traffic on road. The Committee were told that the goods rates in India were the lowest in the world barring Japan and Poland and goods earnings were about 2-1/4 times as much as passenger earnings. The other problems that were engaging the serious attention of the railways were the stoppage of corruption and ticketless travel. The difficulty as regards the former lay in obtaining definite evidence warranting successful punitive action. Taking all the circumstances into account, the Chief Commissioner agreed with the Financial Commissioner's estimate of a probable cumulative improvement of Rs. 1 crore a year over the next few years, and indeed he thought that this was if anything an underestimate. On the question of reducing expenditure, the Chief Commissioner pointed out that a surplus staff of about 3,500 were being discharged while in another six months about 2,300 more were expected to become surplus. In his estimate a saving of Rs. 15 lakhs would result from the immediate retrenchment and another Rs. 10 lakhs at the end of the current year. The Committee then examined the statistics of staff per mile and the comparative merits of the divisional system. They desired a statement to be submitted showing a comparison between the pre-war and post-war working expenses divided into certain main heads.

10. The Financial Commissioner of Railways gave the Committee the figures he promised at the earlier meeting regarding possible savings from a cut in salaries and wages. On the figures supplied to the Retrenchment Committee in 1931-32, the wages of people getting Rs. 30 and under amounted to Rs. 8 crores, between Rs. 31 and 50 to Rs. 6 crores; between Rs. 51 and 100 Rs. 8 crores; between Rs. 101 and 500 Rs. 7 crores; between Rs. 501 and 1,000 Rs. 1-1/4 crores, between Rs. 1,000 and 2,000 Rs. 1-1/4 crores and of incomes above Rs. 2,001 Rs. 50 lakhs, making a total of Rs. 32 crores. He illustrated that under a scheme in which wages under Rs. 30 were omitted from a salary cut, and a graded cut imposed on higher salaries, in the manner shown below a saving of about Rs. 195 lakhs might be expected —

Between Rs. 31 and Rs. 100	.. a cut of 5 per cent
Between Rs. 101 and 500	a cut of 10 per cent
Between Rs. 501 and 1,000	. a cut of 15 per cent.
Between Rs. 1,001 and 2,000	. a cut of 20 per cent
Between Rs. 2,001 and above	.. a cut of 25 per cent

If the lowest limit were raised to Rs. 50 and the cuts maintained on the same scale, the savings would be about Rs. 165 lakhs a year.

11. The Committee discussed the question of the so-called concessions given by Railways. Including the loss on strategic railways and the difference between the rates charged to the Public and Government Departments these might amount to Rs. 4 crores. This was making no allowance for the fact that rates charged to Government Departments were fully remunerative and it ignored the fact that if the Railways were to be compensated for them it meant an extra charge of 3 or 4 crores a year on the central budget. But, even if credit was given for these

amounts and if account was taken of the separation of Burma and of the probable growth of net revenue in the next few years the Committee were disconcerted to find that the financial position of railways would still be Rs. 3-3/4 crores short of producing full commercial solvency on the basis envisaged by the Financial Commissioner in paragraph 121 of his Review. The Chief Commissioner doubted the wisdom of making good this gap at any rate in part by a salary cut, for he feared the demoralising effect of such a course on the staff in general. The Committee discussed that the feasibility of amalgamating systems with a view to economy should be considered, but the Chief Commissioner explained that these were much less than was commonly supposed and that anyhow most of them were not immediately practicable.

The Committee adjourned thereafter till 2-30 p.m.

**Proceedings of the sixth meeting of the Public Accounts Committee held
on Tuesday, the 21st July 1936, at 2-30 P.M.**

PRESENT :

The Hon'ble Sir James Grigg, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.	}	<i>Members.</i>
Mr. S. SATYAMURTI, M.L.A.		
Professor N. G. RANGA, M.L.A.		
Dr. THEIN MAUNG, M.L.A.		
Mr. J. RAMSAY SCOTT, M.L.A.		
Maulvi Sir MOHAMMAD YAKUB, Kt. M.L.A.		
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.		
Bhai PARMA NAND, M.L.A.		
Dr. R. D. DALAL, C.I.E., M.L.A.		
Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt., C.B.E., M.L.A.		
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA, M.L.A.	}	<i>Members.</i>

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.	}	<i>Were also present.</i>
Mr. B. N. MITRA, Director of Railway Audit		

The Hon'ble Sir GUTHRIE RUSSELL, Kt., Chief Commissioner, Railways	}	<i>Witnesses.</i>
Mr. P. R. RAU, Financial Commissioner, Railways		
Mr. V. S. SUNDARAM, Controller, Railway Accounts.		
Khan Bahadur BARKAT ALI, Director of Finance		

12. The Committee continued the discussion on the question of retrenchments effected by Railways in pursuance of their recommendation in paragraph 12 of their report on the accounts for 1933-34. The Chief Commissioner explained the various measures in force to watch the conservation of locomotives, wagons and coal and touched on certain experiments with Diesel cars. The Committee desired that a statement showing the progress made with respect to the various recommendations made by the Pope Committee might usefully be added in the Financial Commissioner's Review in future. They also desired a statement showing the number of saloons maintained, their capital cost, depreciation and maintenance, the classes of officers entitled to their use, distinguishing saloons maintained by railways for their own purposes from the rest.

13. *Item 1 in the Quarterly List of Outstandings ending July 1936.*—The Committee then proceeded to discuss the position regarding the revision of codes. It was explained to them that the preliminary work

was now complete and the work of simplification would be taken up soon by an officer on special duty

Rebate on coal.—The Committee took up the question of the rebate on coal. The Chief Commissioner explained that the rebate on coal to Calcutta was meant to encourage the export of coal. He apprehended that the withdrawal of the concession would adversely affect India's export of coal abroad which was now in the neighbourhood of 150,000 tons. In his considered opinion, the railways did not lose on this rebate.

Railway collieries.—The Committee next concentrated their attention on item (E) in the memorandum (Appendix III) circulated by the Railway Board in response to their desire last year to be apprised of the results of Government policy on railway revenues. The Committee were given to understand that the expansion of output would not benefit the railways at present prices. They considered that, should any change of circumstances occur, the matter ought to be taken up again. The Chief Commissioner brought to the notice of the Committee the fact that Railways were forbidden to sell slack coal in pursuance of an undertaking given by Sir George Rany. The Committee felt that such a policy was against the interests of public safety and accordingly recommended that the Railway Board should be relieved of its obligation not to sell slack not only because they lose the value of such coal but because it was extremely dangerous to store such coal near the collieries.

14 The Committee reverted to the topic of amalgamation of railways and desired an up-to-date review to be given them next year of the possibilities of economy by regrouping of railways or amalgamation of the different systems.

15 Thereafter, the electrification schemes (Appendices VIII and XII) engaged the attention of the Committee. They criticised the variations between estimates and actuals in the scheme pertaining to the South Indian Railway and were inclined to think that the scheme was a financial failure.

The Committee adjourned till 2-30 P.M. on Wednesday the 22nd July 1936.

⁻The Railway Board have since then circulated a revised memorandum (Appendix XIX) on the subject correcting some of their earlier figures. It appears from this that the position is even worse.

Proceedings of the seventh meeting of the Public Accounts Committee
held on Wednesday, the 22nd July 1936, at 2-30 P.M.

PRESENT :

Maulvi Sir MOHAMMAD YAKUB, Kt, M L A, *Chairman.*

Mr. B DAS, M.L.A.

Mr S SATYAMURTI, M.L.A.

Professor N G RANGA, M L A

Dr. THEIN MAUNG, M.L.A

Mr J RAMSAY SCOTT, M L A

Captain SHER MOHAMMAD KHAN, C I E, M.B.E.,
M.L.A

Bhai PARMA NAND, M.L.A.

Dr R D. DATTA, C I E, M L A

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt.,
C B E., M.L.A.

Khan Bahadur Shaikh FAZL-I-ILAQ PIRACHIA,
M L A.

Sir ERNEST BURDON, K C I E., C.S.I., I.C.S.,
Auditor-General

Mr B. N. MITRA, Director of Railway Audit.

The Hon'ble Sir GUTHRIE RUSSELL, Kt, Chief
Commissioner, Railways.

Mr P. R. RAU, Financial Commissioner, Railways

Mr V. S. SUNDARAM, Controller, Railway
Accounts

Khan Bahadur BARKAT ALI, Director of Finance

Members

*Were also
present.*

Witnesses.

16 The Committee resumed their discussion on the electrification schemes and commented on the bad results. They hoped that in future the Railway Board would be more careful in according their sanction to electrification schemes.

17. The Chief Commissioner's views on paragraph 4 of the Auditor-General's letter were sought. He agreed with the Auditor-General's comments and the Committee were promised that, in future, an additional column showing the final appropriations for each railway would be shown in the Financial Commissioner's review.

18. *Paragraph 24 of the Audit Report*—The Committee discussed at length the circumstances in which the colliery referred to in paragraph 24 of the Audit Report came to be abandoned with a resultant loss of about Rs 34 lakhs. It was explained to the Committee that the colliery was estimated to possess 30 million tons of first class coal. When the colliery was started the price of coal was Rs 6|8 per ton and the Bombay, Baroda and Central India Railway expected to get coal from the colliery at Rs. 4|12 per ton and thus save about Rs. 7 lakhs a year when the colliery,

was fully developed. In November 1927 the price of coal dropped very considerably and it was found cheaper to obtain coal elsewhere. The catastrophic fall in the price of coal influenced the administration to abandon the colliery.

19. *Paragraph 27 of the Audit Report*—The Chief Commissioner explained that as the Railways were short of wagons in 1919 they had to be obtained from America which was the only country from which they could be got at that time. The wagons which were originally built for Russia proved unsuitable for the peculiar climatic conditions of India.

20. *Paragraphs 32-33 of the Audit Report*—The Committee were given to understand that no blame could be attached to the consulting engineers as insufficient technical data were made available to them in regard to the high voltage insulators. There was no previous experience of Indian conditions to guide anybody.

21. The Committee were given explanations with regard to the circumstances leading to the irregularities noticed by audit in paragraphs 38, 43, 44, 50 and 57. They also dealt with paragraphs 101, 110, 111, 112 and 114 of the Audit report. The Auditor-General drew the attention of the Committee to certain instructions issued by the Government of India on the civil side some time ago to the various departmental authorities drawing their attention to the adverse comments made by the Public Accounts Committee on particular transactions with a view to their taking heed and warning therefrom and desired to know if a similar procedure obtained on the Railways. The Chief Commissioner assured that a similar practice existed on the Railways also. The Committee touched on sundry points dealt with in the Financial Commissioner's Review and in the Audit Report, including stores purchase policy and freights policy.

22. The Committee desired their appreciation of the excellent Review of the Financial Commissioner and their thanks to the Chief Commissioner and the Financial Commissioner for their assistance to the Committee to be placed on record.

The Committee adjourned till 2-30 P.M. on Thursday, the 23rd July 1936.

APPENDICES.

APPENDIX I.

Statement showing action taken or proposed to be taken on recommendations, etc., so far made by the Central Public Accounts Committee which have not been finally disposed of.

PART II.—Railways.

[Quarter ending July 1936.]

*Statement showing action taken or proposed to be taken on recommendations, etc ,
finally*

PART II.—
[Quarter ending

Serial No.	Year of Report.	Paragraph of Report or Proceedings	Recommendations or suggestions
1	1928-29 1929-30 1930-31 1931-32 1933-34	5 P. 53 P. 3 P. 8 R. 19 P	That the question of the continuance of special rates and concessions for military traffic obtained by the Military Department from the Railways should be pressed to a conclusion as soon as possible
2	1930-31 1931-32 1933-34	28 R. 10 R. 4 P.	That the question of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue should be taken up immediately
3	1933-34	13 R	That the Railway Board should issue necessary instructions that the auctioned material should not be allowed to be removed until the full amount due from the auctioneers has been received and that it should be impressed upon the Railway Administrations that proper care should be taken in selecting the auctioneers and in seeing that the agreements are signed by persons properly authorised to do so.
4	1933-34	14 R.	That the Railway Board should immediately take up the revision of the Railway Codes and complete it before the new Statutory Railway Authority comes into existence.
5	1933-34	12 R. 5 P.	That the Railway Board should conduct an exhaustive review of their freight and fares policy and consider every possible means of increasing the Railway Receipts of reducing the working expenses and of meeting Rail, Road competition
6	1933-34	7 P.	That the Financial Commissioner, Railways, should take steps to see that the Appropriation Accounts reach the Auditor General on the due date.
7	1933-34	12 P.	That the Railway Board should take steps to secure greater accuracy in estimating and control over expenditure.
8	1933-34	17 P.	That the question of improving the form of the balance-sheets and profit and loss accounts of railway collieries should be considered
9	1933-34	18 P.	That the Railway Board should examine and send a note to the Committee to show whether there is any basis for the allegation generally made that the rates of freight at present charged operate in such a way as to help the export of raw materials and the import of foreign manufactured goods to the detriment of Indian industries.
10	-	19 P.	That a report on the financial results of the electrification of the South Indian Railway should be made to the Committee next year.

so far made by the Central Public Accounts Committee which have not been disposed of.

Railways.

July 1936]

Action taken or proposed to be taken.
A memo. on the subject was furnished to the Public Accounts Committee (<i>vide</i> Appendix III)
The Proposals which have been accepted are contained in paragraph 120 of the Financial Commissioner's Review, Part I, Appropriation Accounts of Railways in India for 1934-35.
Necessary instructions have been issued, <i>vide</i> Railway Board's letter No. 2326-F/IV, dated 20th November 1935 (Annexure).
An officer on special duty was being appointed to deal with the matter which according to present computation was expected not to exceed a year
<i>Vide</i> Appendix IV.
This will be done.
Necessary instructions have already been issued to Railway Administrations in this connection (<i>vide</i> Appendix V).
A memorandum on the subject has been prepared by the Auditor General and circulated to the Members of the Public Accounts Committee (<i>vide</i> Appendix VI).
A note has been circulated to the Members of the Public Accounts Committee (<i>vide</i> Appendix VII).
The report containing the result of the South Indian Railway Electrification scheme has been circulated to the Members of the Public Accounts Committee (<i>vide</i> Appendix VIII).

ANNEXURE.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, NORTH WESTERN; EASTERN BENGAL, GREAT INDIAN PENINSULA, BURMA; EAST INDIAN, ASSAM BENGAL; BENGAL NAGPUR, BOMBAY, BARODA AND CENTRAL INDIA MADRAS AND SOUTHERN MAHRATTA AND SOUTH INDIAN RAILWAYS, No 2326-F/IV., DATED THE 20TH NOVEMBER 1935.

Auction Sales.

In continuation of this office letter No 2326-F/IV, dated the 10th August 1931, I am directed to state that the Director of Railway Audit reported a case in which a Railway Administration was unable to recover from the auctioneers about Rs. 44,000 being the sale-proceeds of scrap metal auctioned. The decree obtained by the Railway Administration could not be enforced as the debtors were paupers. In discussing this case the Public Accounts Committee felt that the loss to the Railway Administration in this case was due to proper care not having been exercised in selecting auctioneers. The Committee desired that instructions should be issued to the Railway Administrations on the subject on the following lines:—

- (i) that proper care should be exercised to select auctioneers of financial standing,
- (ii) that the auctioned material should not be allowed to be removed, until the full amount had been received from the auctioneers; and
- (iii) that the agreement with the auctioneers should be signed by duly authorised persons.

2. I am to request, therefore, that the existing agreements with the auctioneers should be scrutinised with a view to seeing whether these conditions are clearly laid down and where these do not exist, the necessary modifications should be made. I am also to suggest that these instructions should be borne in mind when entering into agreements with the auctioneers in future.

No. 2326-F/IV.

Copy forwarded to the Agents, Bengal and North Western and Rohilkund and Kumaon Railways, for information.

Copy forwarded to the Chief Accounts Officers, East Indian, Eastern Bengal, Burma, North Western and Great Indian Peninsula Railways in continuation of this office endorsement No. 2326-F/IV, dated the 10th August 1931.

Copy forwarded to the Director of Railway Audit and the Controller of Railway Accounts, for information, in continuation of this office endorsement No. 2326-F/IV., dated the 13th August 1931.

APPENDIX II.

LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, No T.-434-REP /7-36, DATED THE 25TH JUNE 1936.

SUBJECT :—*Appropriation Accounts (Railways) 1934-35 and the Audit Report 1936*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of Railways in India for the year 1934-35. Parts I and II, prepared by the Financial Commissioner of Railways, together with two copies of the Audit Report prepared by the Director of Railway Audit, for submission to the Committee on Public Accounts and for necessary action by the Government of India

2 I have the honour also to transmit herewith two copies each of the Capital Statement, Balance Sheet and Profit and Loss Accounts of Railways in India, and of Balance Sheet, and Profit and Loss Accounts of Railway Collieries for 1934-35

3. *Financial Commissioner's Review.*—Part I of the Appropriation Accounts of Railways, which contains the Financial Commissioner's Review, was not received by me until the 1st June 1936 as against the prescribed date, the 15th of April 1936. The delay of six weeks has made it impossible for the Director of Railway Audit to submit his Audit Report to me before the 6th of June 1936, instead of on the prescribed date, the 15th of May 1936. The inevitable but inconvenient consequence is that I am not able to forward to Government the Director of Railway Audit's report with my comments until within a week or two of the meetings of the Public Accounts Committee. I trust that it will be possible to avoid in future such delay in the submission of the Review.

4. *Revised form and arrangement of the grants*—In paragraphs 3 and 130 of his Audit Report the Director of Railway Audit has stated that the revised form and arrangement of the grants have facilitated the control over expenditure and simplified the explanations of variations. It is clear from paragraph 58 of the Financial Commissioner's Review that the full intention of the change has not always been realised. But the change must have meant less accounting work, and doubtless its full effect in securing a more accurate and better informed control over expenditure will be apparent in a year or two.

I may refer also to the convention mentioned in paragraph 29 of the Review and suggest that the Financial Commissioner should bring out more clearly the effect as applied.

(a) to Railways as a whole, and

(b) to individual railways.

The statement under paragraph 29 of the Review might have supplied the information required in connection with (b) but fails to do so because it does not give the final appropriations.

5. *Excesses and Irregular Reappropriations.*—The excesses which occurred over the final appropriations and which require to be regularised by the vote of

the legislature in the case of voted expenditure, and by formal sanction of the Governor General in Council in the case of non-voted expenditure, are set forth in paragraphs 56 and 57 of the Financial Commissioner's Review.

The irregular reappropriations which require to be brought to the notice of the legislature are stated in paragraph 58 of the Financial Commissioner's Review.

6. *Overcapitalisation*—Section VI of the Financial Commissioner's Review deals with the problem of overcapitalisation on railways which has aroused much discussion both in the Public Accounts Committee and elsewhere. Government's proposals to prevent this evil in future are described in paragraph 120 of the Review.

This portion of the review sets out one of the most important individual subjects presented for the consideration of the Public Accounts Committee this year, the only comments I desire to make here are—

- (a) that as practical financial measures the proposals of Government are undoubtedly sound,
- (b) that they will simplify work both in administration and accounts offices, and
- (c) that while not inconsistent with the letter of the Railway Separation Convention of 1924, they depart from the basis on which that convention was settled, and for this reason I required, Government agreeing, that they should be laid before the Public Accounts Committee and explained to the Legislative Assembly.

7. *Railway Finance.*—*The general position*—The year 1934-35 was the fourth year in which a temporary loan had to be taken from the Depreciation Reserve Fund to meet deficit. At the end of 1934-35, the liabilities of Railways to be met in future years amounted to 48½ crores as follows :—

	(In crores.)
	Rs.
Loans from Depreciation Reserve Fund	27.50
Contributions unpaid	20.84
Total	48.34

According to the arrangements under the Railway Separation Convention of 1924 and the special orders of the Secretary of State, future surpluses have, first of all, to make good the temporary loans advanced from the Depreciation Reserve Fund and then the suspended contributions. So enormous is this liability that it would need the Net Surpluses of many prosperous years in succession to clear this liability while maintaining the payment of the accruing contributions to General Revenues.

8. *Financial Administration.*—The following are individual matters relating mainly to the subject of Railway financial administration which appear

to me to be of more than ordinary interest and to which the attention of the Public Accounts Committee may be specially directed :—

(i) *Paragraph 19 of the Audit Report*—An important case relating to the allocation of expenditure on rolling stock which I have brought specially to notice for the last two successive years, and which has not yet been finally settled.

(ii) *Paragraph 20 of the Audit Report*.—Overpayment of surplus profits due to incorrect allocation of expenditure on rolling stock

(iii) *Paragraph 24 of the Audit Report*.—A heavy loss of over 31½ lakhs due to abandonment of a colliery.

(iv) *Paragraph 27 of the Audit Report*—Purchase of wagons involving considerable infructuous expenditure.

(v) *Paragraphs 32 and 33 of the Audit Report*—Loss due to faulty manufacture of insulators.

(vi) *Paragraph 38 of the Audit Report*.—Delay in closing of manufacture suspense accounts.

(vii) *Paragraph 43 of the Audit Report*.—Loss due to defective wording of an agreement

(viii) *Paragraph 44 of the Audit Report*—Awards to two contractors in arbitration apparently due to inadequate precautions on the part of the Railway administration

(ix) *Paragraph 50 of the Audit Report*.—Irregularities and errors in the East Indian Railway Stores Accounts.

(x) *Paragraph 57 of the Audit Report*—Claims decreed against a railway in circumstances that indicate negligence

(xi) *Paragraph 101 of the Audit Report*.—Fraud in the transactions of a station.

(xii) *Paragraphs 109 to 111 of the Audit Report*—Defects in Assisted Siding agreements.

(xiii) *Paragraph 112 of the Audit Report*—A side light on the Rail Road competition problem

(xiv) *Paragraph 111 of the Audit Report*—Absence of the certificate of good condition of the assets of certain railways.

APPENDIX III.

During the meetings of the Public Accounts Committee in 1935, it was suggested that the Railway Department should prepare a memorandum for the Committee showing to what extent Government policy can be said to have affected railways. Specific examples mentioned during the discussion were —

- (A) The protective policy of Government ,
- (B) Concessions granted to Government Departments ,
- (C) Concessions granted to commercial firms like Tatas ;
- (D) Rebate granted on coal exported from Calcutta ;
- (E) Restriction of out-put from railway collieries ;
- (F) Strategic railways

(A) PROTECTIVE POLICY OF GOVERNMENT

The effect on railways of this policy has two aspects —

- (1) It has tended to affect the receipts of certain railways by altering the direction and course of traffic and average lead of traffic on railways ; and
- (2) It has also tended to increase the cost of stores purchased by railways.

(1) *Effect of the protective policy of Government on railway earnings*

It is very difficult if not impossible to assess precisely in terms of money effect on railway earnings of the protective policy, for while one railway may lose considerably another may gain. For example, the North Western Railway have estimated that owing to the protection given to sugar, iron and steel, and cotton manufactured, it has lost, owing to the reduction of imports, *via* Karachi and of long lead traffic therefrom over half a crore of rupees—

				Lakhs.
Sugar	..	..	..	31
Iron and steel	..	..	..	12
Cotton manufactured	..	..	..	11
				<hr/> 54 <hr/>

What is certain is that the average lead is shorter as is shown by the following figures with regard to three of the more important commodities concerned, *viz.* :—

- Iron and steel which received protection from 1924 ;
- Cotton manufactured which received protection from September 1927 ; and
- Sugar which received protection in 1932.

Iron and Steel.

Year	Tons carried	Gross earnings	Average gross earnings per ton	Index No.
<i>Iron and Steel.</i>				
1923-24 . . .	1,089	1,57,56	14.5	100
1934-35 . . .	2,266	2,34,19	10 3	71
<i>Cotton Manufactured.</i>				
1926-27 . . .	968	2,51,00	25 9	100
1934-35 . . .	1,092	2,45,07	22 4	87
<i>Sugar.</i>				
1931-32 . . .	1,080	1,50,62	13 9	100
1934-35 . . .	1,414	1,56,82	11 1	80

On the other hand the reduction in lead may be compensated by an increase in the total traffic carried though how far a manifestation of this kind will be due to general economic changes, how far to the stimulus of the protection to the particular industry, it is impossible to say. Generally speaking as protection is designed to raise prices, the increased volume would be due to other causes and even if it were due to protection there would, if orthodox economic theory is correct, be a countervailing reduction of traffic in other commodities especially in those produced for export.

(2) *Effect of the protective policy of Government on railway expenditure on the purchase of stores*

It has not been found possible to put a money value on the additional charges imposed on railways by the rise in prices of stores required for railways resulting from protection owing to the complications produced by the enormous charges in the general price level

The cost of stores purchased by railways has also been increased to a certain extent by the policy laid down in 1929 by the Government for the supply of articles required for public service. This policy is to make purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency. In order to give effect to that policy a certain margin of price preference is given to articles produced or manufactured in India either wholly or in part. Here too it is not possible to give a general picture, but one or two examples can be given. The approximate extra expenditure incurred by railways on this account

with reference to their more important stores during the years 1931-32 and 1934-35 has been roughly estimated as follows —

	Lakhs.
(i) Coaching underframes and wagons purchased by State-managed Railways	6½
(ii) Coaching underframes and wagons purchased by Company-managed railways	3½

In 1927, railways entered into a long term contract with Tatas for the purchase of rails required for use on State-owned railways. This price was some times more than the price of imported rails, but on the whole the long term contract entered into did not involve considerable loss except that in 1930-31 or 1931-32, it was arranged that in view of the fall in the orders placed with Tatas considerably below expectations, an additional price of Rs. 20 per ton should be paid to them. The total payment made in the 2 years as a result amounted to 29½ lakhs

(B) CONCESSIONS GRANTED TO GOVERNMENT DEPARTMENTS.

(1) *Military Department*—

The special rates allowed by railways for military traffic were referred to by the Railway Retrenchment Sub-Committee of the Retrenchment Advisory Committee in paragraph 193 of their report which reads as follows —

“ Our attention has been drawn to the concessions given by railways to the Military Department. Special rates are apparently quoted for military goods traffic, and all military officers and soldiers of all ranks are entitled on duty, and often on leave, to travel in a higher class on payment of a lower class fare. One of the witnesses who appeared before us (Mr. B. Das, M.L.A.) has estimated the loss to railway revenues at a crore of rupees annually. We have not been able to verify this estimate. We are not aware of the reasons that have led to the latter concession being granted to military personnel, but we are quite convinced that there are none that can justify the cost not being charged to the Army Department, but to railways. *This concession, and the special freight rates quoted for military traffic if such rates are not on a remunerative basis, is, in our view, subvention from railways to the Army Department which, apart from any other consideration, railways are not in a position to afford today. We strongly recommend that these concessions should not be continued any longer* ”.

2. The practice of allowing special rates for military traffic originated in 1868. Various alterations in the method of charge were made from time to time, but in 1904 the whole position was re-examined with a view to the adoption of an arrangement which would be equally applicable on mobilization. As a result of this examination, it was decided to introduce

from 1st January 1908 a system of charge per vehicle per mile for military traffic in vehicle load and a uniform rate for traffic not in vehicle loads. This is broadly the system in force today. The rates were raised in 1910 and again in 1923 as a result of increased working expenses

3 The rates now charged for military traffic are as follows :—

I *Coaching Traffic*

(a) in full vehicle loads, per 4-wheeler—

broad gauge	.	5½ annas per mile.
other gauges	.	4 annas per mile.

(b) when not in full vehicle loads—first class passengers are charged second class fares ;

second class passengers are charged third class fares, but when despatched by mail or express trains, the fare chargeable is the lowest rate at which the public are booked by such trains ,

third class passengers are charged ordinary third class fares ,

(c) baggage for which Government pays —

0·38 pie per maund per mile ,

(d) Special trains for troops— rates as in item (a) above, subject to a minimum charge as for 16 vehicles

II. *Goods traffic*—

(a) in full vehicle loads, per 4-wheeler —

broad gauge	..	5 annas per mile.
other gauges	.	3½ annas per mile.

(b) consignment not in full vehicle loads—

0·38 pie per maund per mile.

III. *Rates applicable for ordinary public traffic apply in the following cases :—*

(a) Parcels sent by passenger trains when not in vehicle loads ;

(b) Coal, coke and patent fuel ;

(c) Explosives ;

(d) Kerosene oil and liquid fuel, non-dangerous, carried in tank wagons ;

(e) Journeys performed by officers and others who draw travelling allowances under the provisions of Passage Regulations, India ;

(f) Military stores, the property of Civil Departments, and Military Engineering Services (*i.e.* stores consigned to Garrison Engineers or Officers Commanding Royal Engineers) ;

(g) Stores consigned to and by Regimental Canteens, Messes and Executive Officers of Cantonments ;

(h) Goods or live-stock not the property of Government in the Defence Department at the time of despatch,

(i) Stores, which, at the time of despatch, have been sold or are for sale to the public.

4. The special rates for military personnel carried as coaching traffic in vehicle loads also apply in the case of military cars, of which there are 89 (all bogies), which are maintained for the exclusive use of military personnel. The military authorities pay $9\frac{1}{2}$ per cent. per annum on the capital cost of these cars for interest, maintenance and depreciation charges. In addition to the charge of eleven annas per mile for loaded haulage, a charge of eight annas per mile for empty haulage is made for these cars.

5. The above bases of charge for military traffic compare as follows with the average earnings of railways :—

Military traffic—

Minimum charge for a special train .. Rs. 5/8/ per mile.

Goods traffic in wagons loads .. 60 pies per wagon per mile.

Goods traffic not in wagons loads .. 10·34 pies per ton per mile.

Average earnings of railways (broad gauge) for 1934-35.

Railway.	Coaching Earnings per train mile.		Earnings per goods wagons per mile.	Earning per ton per mile.
		Rs.	Pies.	Pies.
B. N.	3·14	40·6	5·98
B. B. & C. I.	4·28	67·4	10·28
E. B.	2·75	45·1	9·12
E. I.	3·49	37·9	5·41
G. I. P.	2·74	53·2	8·34
M. & S. M.	3·94	52·5	9·30
N. W.	3·84	53·9	9·85
S. I.	2·96	76·8	12·65

6. The Government of India favour the retention of the present arrangement with a slight modification as being a convenience for both the Railways and the Army because —

(a) it obviates the necessity for the laborious and often intricate calculations of rates and fares which the application of public tariff rates would necessitate,

(b) it is suitable for the special conditions which would obtain on mobilization;

(c) it gives the railways an average rate substantially in excess of what they get from public traffic generally;

(h) it absolves the Railways from the necessity of loading and unloading vehicle loads which in the case of most traffic carried would have to be done by railways if public rates were charged;

- (e) Railways are not liable for loss of, or damage to, military consignments in transit under the same terms and conditions as apply when risk note form 'B' is executed for public traffic,
- (f) any increase in the rates for military traffic must mean a definite loss to the Government of India, as under the contracts with Company-managed railways the rates chargeable on those lines for military traffic are required to be the same as are prescribed by the Government of India for State-managed lines.

This remark, also applies to lines owned by Indian States, such as the Jodhpur and H. E. H. the Nizam's State Railways.

- (g) on railways in other countries, special rates are allowed for military traffic generally

7. Apart from the special rates allowed by Railways for military traffic certain concessions in fares are also allowed for military personnel when travelling at their own expense. The more important of these concessions are :—

- (i) Officers not above the rank of Captain get first class tickets on payment of second class fares,
- (ii) Indian officers of the Indian Army,
- (iii) Warrant officers, non-commissioned officers and men, both British and Indian, and their families, get return tickets on payment of single fares

These concessions have been influenced entirely by commercial considerations.

The withdrawal of the concession now admissible to a junior officer would probably result in driving him and his family (who get no concession) into a lower class, and thereby further accentuate the falling off noticeable within recent years in first class traffic.

Similarly, the withdrawal of the concession for other troops will probably result in deterring the great majority of them from travelling as :—

- (i) most units, particularly in the case of Indian Army, to whom the concession applies only when travelling to their homes, are stationed far from their homes ;
- (ii) the comparatively small pay they get does not provide a sufficient margin for payment of railway fares ;

In these circumstances and for the following further reasons, the Government of India consider that the concessions now allowed to military personnel when travelling on leave at their own expense, and to their families in certain cases should be continued :—

- (a) it is the practice in Great Britain where the railways are not owned by Government, and also in several other countries to allow such concessions ;

- (b) Railways allow concessions to the general public for certain holiday seasons, *e.g.*, Christmas and the New Year, Easter and Durga Pooja during which a large number of people take their vacation, and these concessions are not of any particular use to officers and men of the Army who are only allowed to go on leave as and when they can be spared.

8. Estimates have been made from time to time about what is called the loss to Railways in allowing special rates for military traffic. What is meant is an estimate of the difference between charges at these special rates and charges at ordinary public rates, for as will be seen from the particulars given in paragraph 5 of this memorandum, there is no actual loss. The position in this respect was reviewed recently by eight of the more important Railways and the aggregate amount of this difference on these railways approximated to Rs 45 lakhs. Applying the proportion which this difference bears to the total earnings from military traffic on these railways to the earnings of the other three Class I Railways who did not make a similar estimate, the difference in their case works out to approximately Rs. 9½ lakhs and the total may be taken as about 55 lakhs. This is only an estimate and it does not follow that railways would get an increased revenue of this magnitude by charging public rates. This will depend entirely on the extent to which military traffic would be diverted to other competitive means of transport and in any case any increased Revenue to the Railways would be counterbalanced by an exactly similar increase in the expenditure of the Government of India.

(2) *Postal Department*.—The rates charged to the Postal Department (which have now been in force since 1924) are roughly as follows —

(A) *Postal Special Trains*—

Broad Gauge—

- (a) When public passenger traffic is carried (for a maximum of three bogie vehicles). Rs. 1-8-0 per mile.
 (b) When public passenger traffic is not carried (for a maximum of 3 bogie vehicles). Rs. 2 per mile.
 (c) Additional vehicles per mile Annas four.
 (d) Minimum charge Rs. 75.

Metre Gauge—

Special trains are charged at (irrespective of the number of vehicles). Rs. 1-8-0 per mile.

Minimum charge Rs. 50.

(B) *Mails carried under the weightment system*—

- (a) for regular daily despatches—1½ pies per maund per mile, subject to a minimum weight for charge as for 5 seers for each despatch ;
 (b) for occasional despatches—1½ pies per maund per mile, subject to a minimum weight for charge as for 5 seers and also to a minimum payment of 6 annas for each despatch.

(C) *Haulage of Postal Vehicles—*

Broad gauge	..	..	..	36 pies per 4-wheeler per mile.
Metre gauge	..	..	..	24 pies per 4-wheeler per mile.

(D) *Haulage of non-postal vehicles—*

Broad gauge	..	..	..	48 pies per 4-wheeler per mile.
Metre gauge	..	.	..	36 pies per 4-wheeler per mile.

(E) *Mails carried in compartments of non-postal vehicles—*

Proportionate charge on the basis of rates shown in (C) above.

Railways have expressed the opinion that these rates are too low and the Indian Railway Conference Association has suggested an increase. Proposals for revision of rates are under discussion. Any increase will of course involve an increased charge on the Postal Budget and of course on the general Budget also.

Certain railways (*viz.*, North Western, Great Indian Peninsula, Madras and Southern Mahratta, South Indian, and Bombay, Baroda and Central India) have assessed the difference between the public tariff rates and the special rates at present in existence at about 39 lakhs

(C) *Concessions granted to Commercial Firms (The Tatas Iron and Steel Company, the Indian Iron and Steel Company, the Bengal Iron and Steel Company).*

In 1908, the Bengal Nagpur Railway, with the approval of the Government of India agreed to allow for 25 years to the Tata Iron and Steel Company the following concession rates —

(A) 1/15 pie per maund per mile (exclusive of ferry charges and trans-shipment charges) for—

- (a) raw materials required for the manufacture of iron and steel,
- (b) finished products and bye-products of coking ovens from Tata-nagar to Calcutta for shipment; and

(B) 1/10 pie per maund per mile for articles classified Special class on 1st January 1905 and 1/6 pie per maund per mile for articles classified 1st to 5th classes on 1st January 1905, manufactured by the Tata Iron and Steel Company except those referred to in item (A) (b) above.

2. In 1911, the Bengal Nagpur Railway similarly agreed to allow for 25 years to the Bengal Iron and Steel Company the following concession rates for the carriage of raw materials only, from and *via* any station on the Bengal Nagpur Railway to the Company's works:—

- (a) when the traffic amounts to 30 million ton miles or over per annum. .. 1/15 pie per maund per mile
- (b) when the traffic varies between 20 and 30 million ton miles per annum. .. Proportionately higher rates.

The agreement expires on the 31st March 1939.

These concession rates have since 1922 been allowed also for raw products consigned to the Indian Iron and Steel Company's works

As a result of these concessions allowed over the Bengal Nagpur Railway, it was necessary for the East Indian Railway to grant the same concession to the Bengal Iron and Steel Company and the Indian Iron and Steel Company.

3. The agreement with Tatas expired on 30th June 1933, and the Bengal Nagpur Railway proposed a revision of rates on a more remunerative basis which was still lower than public tariff rates. Their proposals were expected to yield approximately 40 lakhs by way of additional revenue annually. On Tata's protesting that the proposed enhancement would seriously affect them, the Bengal Nagpur Railway Company suggested an arrangement to continue the old rates provided Tatas would in addition make an annual *lump sum* payment of 20 lakhs to the Bengal Nagpur Railway. The Railway Board did not approve of this arrangement but ultimately decided that the revised rates originally proposed by the Bengal Nagpur Railway should apply and a rebate given of 25 per cent provided that the total traffic exceeded 300 million ton miles during the year. The revised rates (including the rebate) have effect from the 1st July 1933 and will remain in force till 31st March 1939 (when the contracts with the other Iron and Steel Companies terminates) and are as follows :—

(a) Coal	..	At the Bengal coal scale in force at the time inclusive of the surcharge, viz—		
		1—200 miles	..	·165 pic per maund per mile.
		201—400 miles	..	·130 Ditto.
(b) Iron ore and lime stone	..	required for the manufacture of iron and steel	..	·12 Ditto.
(c) Manganese ore	..	(i) From C. P.	..	·10 Ditto
		(ii) From stations on the Amda-Jamda Branch	..	·12 Ditto
(d) Pig Iron for export	..	..	..	·12 Ditto.
(e) Finished products of the Steel Company	..	At schedule B N./P/1, viz :—		
		Miles—		
and Tar.		1—299	..	·166 Ditto.
		300—499	..	·12 Ditto.
		500 and over	..	·10 Ditto.
(f) Sulphuric Acid	..	8 R.R. i.e.,	..	1 04 Ditto.
		6 O.R. i.e.,	..	·33 Ditto.
Sulphate of Ammonia	..	C. P. F. Schedule i.e.,	..	·10 Ditto.

4. It has been estimated that for the ten years ending 1931-32, the actual rates charged by the Bengal Nagpur Railway for this traffic yielded about 96 lakhs less than what they would have got if they had charged the ordinary class or schedule rates applicable to similar public traffic. But it is unlikely that the full public tariff rates could have been charged in every case and lower rates would perhaps have had to be quoted for some of this traffic in the ordinary course as is done in similar cases to secure the traffic.

The rates proposed by the Bengal Nagpur Railway in 1933 were approximately 100 per cent. more than the rates charged before and were estimated to yield 40 lakhs more. If it is assumed that these rates (without the rebate) approximate to what the traffic could bear, the value of the *concession* before 1933 may be taken as roughly 40 lakhs per annum.

Since 1933, the traffic has increased, and in 1935-36, the rebate granted was 26 lakhs which may roughly be taken as the value of the concession at present.

It may be added that the earnings of the Bengal Nagpur Railway increased by 26 lakhs as a result of the new arrangements.

(d) Rebate granted on coal exported from Calcutta.

In 1923 on representations made by the coal trade, it was considered desirable that action should be taken to regain for Indian coal the markets that had been lost to foreign coal consequent on restrictions imposed on exports of Indian coal as a war measure in order to conserve the local resources. These restrictions were removed in 1923, but in the meanwhile Indian coal had disappeared from overseas markets. Coal producers and the Port authorities were, therefore, to do their share, and Railways were asked to assist either by reducing the freight for long distance coal or by giving a rebate on coal exported from Calcutta to foreign countries or to other Indian ports.

With effect from 1st January 1924, the Bengal Nagpur and East Indian Railways notified a rebate of 25 per cent. on coal booked to Kidderpore Docks for shipment. On the recommendation of the Indian Coal Committee (1925), the rebate was enhanced to 37½ per cent. for coal certified by the Grading Board: the 25 per cent. rebate continuing on other than graded coal. Finally export coal was exempted from the surcharge of 15 per cent. imposed in 1932 on coal freights (reduced to 12½ per cent. in 1935). The tonnage of coal shipped from Calcutta to ports in India and Burma during recent years has been as follows :—

1931-32	..	..	..	..	..	..	1,669,424
1932-33	..	..	..	..	..	..	1,682,953
1933-34	..	..	..	..	..	..	1,406,344
1934-35	..	..	..	..	..	..	1,712,174

The total amount of the freight rebate (at approximately Rs. 1-5-0 per ton) and of the surcharge waived (approximately ten annas per ton in 1934-35) works out, on the figures for 1934-35, to about 33 lakhs.

From the strictly railway point of view, it may be argued that special concessions granted for cargo coal to *Indian ports* are again the interest of railway as they tend to make coal move from Calcutta to the ports in the south and west of India by sea rather than by rail : but the withdrawal of the rebate and the imposition of the surcharge together would mean an increase in coal freights to Calcutta of approximately Rs. 1-13-0 per ton. It appears that the present difference in the F O.B. price at Indian ports of South African coal as compared with Indian coal is just about a few annas in favour of Indian coal. Any increase in rail freights to Calcutta will, therefore, very probably result in South African coal displacing Indian coal in those markets.

The railways most concerned (the East Indian and the Bengal Nagpur Railways) claim that the actual rate charged for export coal is only 55 per cent. of the public rate and that consequently they can afford to lose 45 per cent. of their present traffic and still make a profit, as in that case, their gross earnings are unimpaired while their actual cost of haulage will be greatly diminished. It is only if the loss in traffic is considerably more than 45 per cent. (which they consider unlikely) that they stand to lose. They point out that the object achieved by the present policy of ensuring that Indian coal is not displaced by South African coal in Indian markets is one which is not directly or purely a railway object and should not involve railways in a loss. It should be possible to achieve it by other means (such as a bounty) which do not impose a burden on railway revenues.

E.—*Restriction on Output from railway collieries.*

The attached statement gives with regard to each of the collieries owned by State-managed railways (*viz.*, Giridih, Bhurkunda, Kargali, Sawang and Bokaro, the last two of which are shared with the Bengal Nagpur Railway) the information necessary to estimate the net loss or gain by our present policy of regulating the output from them.

2. On the best estimates we can make at present, our all-in-costs of extraction, compared with existing prices of market coal of similar quality, are generally unfavourable. The difference involved is in the neighbourhood of 12 lakhs on our existing production of 14,20,000 tons (of which 2,70,000 tons are for the Bengal Nagpur Railway) and on existing market prices. It should be remembered, however, that prices are at a particularly low level now and they are bound to rise

(i) When general economic conditions improve ;

(ii) if there is an appreciably larger demand from railways as will be the case if we close down our collieries temporarily ;

- (iii) if we loose our only weapon of seeing that prices quoted are not unreasonable by closing down our collieries permanently ,
- (iv) if, as a result of any measures for conservation of coal that may be given effect to in the near future, costs of extraction in private collieries are considerably increased. It is believed that any increase due to similar causes in the cost of working in State Railway collieries will be much less as most of these are comparatively newly opened.

Any rise in market prices not accompanied to the same extent by a rise in the cost of production on State Railway collieries will necessarily improve the position.

3. This loss cannot be avoided by closing down all these collieries ; for, unless we abandon them altogether, we shall have to incur certain fixed charges such as interest depreciation, minimum royalty according to the lease, cost of the minimum establishment necessary for care and maintenance to see that the colliery can be reopened when necessary and so on. The total expenditure involved amounts to 25 lakhs if the collieries are kept de-watered. If all (except Giridih) are allowed to flood, the expenditure would be 23½ lakhs about a lakh and a half less, but such a course is not one that can be recommended with confidence. In the case of Giridih, it is absolutely out of the question as the capital cost of re-opening would be prohibitive. Again, according to the terms of the mining leases for all our collieries, continued development and coal raising is required, otherwise claims for forfeiture of the lease by the superior landlord may arise

4 The immediate loss can be reduced if we abandon the collieries altogether, in which case it is practically only the interest on the capital lost that we should continue to pay. But as the total capital involved is 218 lakhs and the estimated quantity of coal in reserve on the 1st April 1935 was 222 million tons, this is obviously impossible. Apart altogether from the loss in capital and coal reserves, these are our only defence against a combination by the trade to increase prices to railways, and it was with the object of ensuring railways against such a contingency that these collieries were purchased. That the danger is not imaginary can be seen from the prices charged to railways before they acquired their own collieries.

5. These figures also show that by increasing the quantity of coal extracted from these collieries by about a million tons per annum, we can reduce the loss by about 5½ lakhs as the all-in-costs of production per ton will automatically be reduced. Against this, however, must be set the fact that apart from Giridih the coal obtained from railway collieries is second class coal, and an increased output involves replacement of coal bought at present from sources of supply nearer where the coal is required, thus saving cost of haulage. Owing to the present low prices of market coal, it is thus in most cases profitable to us to continue to buy market coal as we can select the collieries so as to reduce haulage to the minimum. In the second place, a large increase in our own production and a consequent large decrease in our purchase from the market may have the effect of driving a large number of the smaller collieries out of existence which will not in the long run be in the interests of railways as reducing competition.

In the third place, the increased output involves an increase in the slack coal produced by about 2,50,000 tons, under present conditions in which by a self-denying ordinance railways refrain from selling slack, the additional slack may constitute a serious danger to the collieries, and removal to a comparatively safe locality will involve considerable expenses which has been roughly estimated at 4 annas per ton of slack. On the other hand if the policy of not selling slack were reconsidered, the extra slack might become an additional source of revenue.

Statement

	Present output. Tons in thousands.	Maximum economic output Tons in thousands.	Present loss on current market prices Rs in lakhs	Loss if any on maximum output at current market prices Rs in lakhs	Savings by increase in output Rs in lakhs.	Fixed charges if colliery is flooded. Rs. in lakhs.	Fixed charges if kept do-watered. Rs in lakhs.
Giridih ..	450	450	4 86	4 86	..	12.08*	12 08
Bhurkunda ..	80	400	3 30	.25	3.05	3 87	4.12
Kargah ..	350	700	1 97	1.31	66	3 99	4 94
Sawang ..	40	150	.92	18	.74	1.21	1.38
Bokaro	500	700	.94	..	.94	2.28	2.54
	1,420	2,400	11.99	6 60	5 39	23 43	25 06

* Giridih cannot be allowed to flood as the cost of re-opening would be prohibitive.

(f) *Strategic Railways.*

Strategic railways are administered as part of the North Western Railway system. The total route mileage of these lines at the end of 1934-35 was 1,714 miles and the total capital at charge a little over 34 crores. At present the losses on these lines amount to round about 2 crores per annum. The details are as follows —

Year.	Loss in working (including depreciation).		Interest.	Total.
1924-25	35.69	122.77	158.46
1925-26	15.33	130.94	146.27
1926-27	32.07	131.35	163.42
1927-28	34.70	134.03	168.73
1928-29	30.19	141.81	172.00
1929-30	47.43	140.09	187.52
1930-31	66.46	146.91	213.37
1931-32	47.52	148.87	196.39
1932-33	55.65	146.55	202.20
1933-34	50.67	144.16	194.83
1934-35	55.48	140.23	194 71

Under the 1924 Convention, the losses on strategic lines were to be deducted from the annual contribution payable on account of commercial lines. From 1931-32 when the contributions had to be suspended, the losses have been borne by railway revenues. Any relief that can be obtained by railway revenues on this account, it need hardly be said, will, under present conditions, be an addition to the general budget.

APPENDIX IV.

Results of the more important changes in rates and fares.

At the meeting (August 1935) of the Public Accounts Committee it was suggested (*vide* paragraph 47 of the Public Accounts Committee's Report, Volume II—'Evidence') that an attempt should be made to work out the effect on traffic of the more important alterations in fares and rates. This suggestion had reference to the statement in paragraph 9 of the Financial Commissioner of Railways' Review of the Appropriation Accounts of Railways for 1933-34, regarding enhancements made to obtain increased revenue. In the following paragraph, such statistics are given as are available showing the fluctuations in traffic following the changes made, as compared with the period prior to the change.

2. *Passenger fares on the Bombay Baroda and Central India Railway*—
Third class fares by ordinary and mail trains were revised as follows:—

Ordinary fares (from 1st April 1931) telescopic.

Previous basis		Revised basis.	
Distance	Pies per mile	Distance	Pies per mile.
1—150	3½	1—300	3½
151—300	3	over 300	2¾
over 300	2½		

Ordinary and mail fares (from 1st July 1932) . telescopic.

Previous basis				Revised basis			
		Mail				Mail	
Ordinary Distance.	Pies per mile	Distance	Pies per mile	Ordinary distance	Pies per mile	Distance.	Pies per mile.
1—300	3½	1—300	4	1—50	3½	1—50	4½
over 300	2¾	over 300	3	51—200	3¼	51—200	4
				201—300	3	201—300	3¾
				over 300	2¾	over 300	3

The number of third class passengers carried by both mail and ordinary trains and earnings were as follows:—

Year.		Number.	Percentage varia- tion over 1930-31.	Earnings Rs	Percentage varia- tion over 1930-31.	
1930-31	40,496,419	.	2,91,37,185	..
1931-32	.	..	37,079,816	—8	2,74,22,409	—6
1932-33	37,700,465	—7	2,89,51,755	—1
1933-34	35,774,076	—12	2,83,85,272	—3
1934-35	.	..	35,848,762	—11	2,87,26,650	—1

3. *Passenger fares on the East Indian Railway.*—The basis of third class fares were revised from 1st October 1931, as follows :—

Previous basis		Revised basis	
Distance.	Pies per mile.	Distance.	Pies per mile.
1—50	3½	1—50	3½
51—300	2½	51—300	2½
over 300	1½	over 300	1½

The number of passengers and earnings therefrom for the year 1930-31 to 1934-35 were as follows :—

Year.	Number	Percentage variation over 1930-31	Earnings. Rs.	Percentage variation over 1930-31
1930-31	60,724,000	.	4,56,25,000	.
1931-32	56,050,500	—7·7	4,34,99,000	—4·7
1932-33	54,945,800	—9·5	4,32,59,000	—5·2
1933-34	53,886,400	—11·3	4,14,96,000	—9·1
1934-35	54,996,400	—9·6	4,34,92,000	—4·7

4. *Passenger fares on the North Western Railway.*—Third class fares were revised as follows :—

Previous basis		From 1st October 1931	From 1st December 1933.
Distance	Pies per mile	Pies per mile.	Pies per mile
1—50	3½	3½	3
51—300	2½	3	2¾
over 300	1½	2	2½

The revision in December 1933 represented a reduction for distances up to approximately 450 miles and a slight enhancement for distances beyond.

The number of passengers and earnings therefrom during the years 1931-32 to 1933-34 were as follows :—

Year	Number	Percentage variation over 1930-31.	Earnings.	Percentage variation over 1930-31.
1930-31	70,099,600	.	4,78,42,000	.
1931-32	55,807,900	—20·4	4,24,73,000	—11·3
1932-33	56,937,900	—19·8	4,26,14,000	—10·9
1933-34	58,796,800	—16·1	4,14,71,000	—13·3
1934-35	63,814,800	—9·0	4,15,54,000	—13·1

5. *Passenger fares.*—An examination of the figures in paragraphs 2-4 relating to the changes in third class fares on the Bombay, Baroda and Central India, East Indian and North Western Railways shows that the drop in passenger earnings over the Bombay, Baroda and Central India and East

Indian Railways has been proportionately less than the drop in the number of passengers carried. The enhancement in the fares thus helped to minimise the loss on falling traffic. On the North Western Railway similar tendencies operated for the years 1931-32 and 1932-33. The figures for 1933-34 and 1934-35 were affected by a further alteration in the fares from December 1933 which represented a reduction for distances up to 450 miles. This alteration had been made in 1933 to test the possibilities of a reduction in fares. A review of the figures for the first twelve months during which the revised fares operated showed that while the number of passengers carried increased by 12 per cent. earnings decreased by 1% as follows :—

	Number (in lakhs)	Earnings (in lakhs).
Year ending 30th November 1933	5.47	4.03
Year ending 30th November 1934	6.11	3.98

A further review of the figures for the seven months of December 1934 to June 1935 showed a further improvement in earnings as compared with the figures for the previous corresponding period, but when compared with the figures of 1932-33, the position was still unsatisfactory as will be seen from the following :—

Year.	Number (in thousands)	Percentage varia- tion over 1932-33	Earnings (in thousands).	Percentage varia- tion over 1932-33.
1932-33	30,883		23,220	
1933-34	34,750	+12.52	22,635	-1.69
1934-35	35,008	+13.36	23,081	-0.62

A review simultaneously made of the earnings on the East Indian Railway on which no alterations in fares had been made, showed that, during the same period of seven months, the number of passengers increased by 5% and earnings by 7 per cent.

Briefly, while the East Indian Railway revenue position improved by 17 lakhs, the North Western Railway's deteriorated by 1½ lakhs.

The North Western Railway have, therefore, again revised their third class fares with effect from 1st January 1936 as follows :—

Distance	Pies per mile
1—300	3
over 300	2½

6. *Luggage and Parcels*.—The scale of charges for luggage and parcels was revised generally on principal railways from the 1st May 1931, the revision representing an approximate increase of 15% on the old scale. The earnings from luggage and parcels from 1930-31 to 1933-34 were as follows :—

Year.	Earnings (In thousands).	Percentage variation over 1930-31.
	Rs.	
1930-31	3,89,10	..
1932-33	3,67,87	-5
1933-34	3,62,11	-7

Here again, the enhancement made helped to reduce the loss in earnings from luggage and parcels. This conclusion finds support from the fact that the passenger traffic in 1932-33 and 1933-34 showed a fall of 12% and 15% respectively as against a corresponding fall of 5% and 7% respectively in luggage and parcels. So far as the earnings from luggage are concerned (these are unfortunately not separately available), these may be expected to vary directly with the fluctuations in passenger traffic, but the parcels traffic has also suffered at least from one common factor which is affecting passenger earnings adversely, *i.e.*, road competition. To meet this competition, Railways have had to maintain rates lower than the normal scale rates where they are faced with motor competition.

7. *Coal*.—With effect from the 15th January 1932, Railways imposed a surcharge of 15% on the freight for coal. This was reduced to 12½% with a maximum of Re. 1 per ton with effect from 1st April 1935. The tons carried and earnings therefrom for 1930-31 to 1934-35 were as follows:—

Year		Tons carried (in thousands).	Percentage varia- tion over 1930-31	Earnings (In thousands). Rs.	Percentage varia- tion over 1930-31.
1930-31	..	19,788		6,19,45	..
1931-32	.	18,791	—5	5,97,84	—3
1932-33	.	17,592	—11	5,92,51	—4
1933-34	.	19,064	+4	6,53,80	+6
1934-35	..	20,783	+5	7,09,42	+15
1935-36	.	21,061	+6	6,92,91	+12

8. *Petrol*.—The Bombay Baroda and Central India, Eastern Bengal, Great Indian Peninsula, Madras and Southern Mahratta and North Western Railways enhanced their rates from C/T schedule to C/U schedule from July 1931. The bases of the previous and the revised rates were as follows:—

Distance.	Previous basis. Pies per mile.	Revised basis. Pies per mile.
1—300	.83	.83
301—600	.42	.62
over 601	.38	.42

The tonnage carried over the Railways on which the enhancement was made and the earnings therefrom for the years 1930-31 to 1934-35 were as follows:—

Year.		Tons carried.	Percentage varia- tion over 1930-31.	Earnings. (In thousands). Rs.	Percentage varia- tion over 1930-31.
1930-31	..	326,800	— 5	77,69	— 1
1931-32	..	309,900	—23	76,64	—18
1932-33	..	250,500	—20	63,50	—16
1933-34	..	260,800	—16	64,92	—15
1934-35	..	292,100	* —11	74,53	— 4

9. *Sugar*.—An enhancement in the rates by approximately 10% was made by the following Railways —

Eastern Bengal.
East Indian.
Great Indian Peninsula.
Bengal Nagpur.
Bengal and North Western.

The tonnage carried and the earnings from this traffic for the years 1930-31 to 1934-35 over these railways were as follows :—

Year	Tons carried	Percentage variation over 1930-31.	Earnings Rs	Percentage variation over 1930-31.
1930-31	548,900	..	73,65,700	..
1931-32	500,300	—9	59,50,400	—19
1932-33	530,600	—3	59,73,400	—19
1933-34	832,600	+52	90,96,300	+23
1934-35	792,900	+44	86,41,700	+17

10. *Kerosene oil*.—The rates for kerosene oil were enhanced over railways (Eastern Bengal, East Indian, Great Indian Peninsula, North Western, Bombay Baroda and Central India and Madras and Southern Mahratta) in July 1932 by the withdrawal of the C/S schedule. The old and the revised rates are as follows :—

Distance.	Previous basis.	Revised basis.
	Pies per maund per mile.	Pies per maund per mile.
1—300	·42	·42
301—400	·30	..
401—500	·20	..
501—600	·125	..
601—700	115	..
over 700	100	..

The tonnage carried and the earnings therefrom for the years 1931-32 to 1934-35 over the railways concerned were as follows :—

Year.	Tons carried.	Percentage variation over 1931-32.	Earnings (In thousands) Rs.	Percentage variation over 1932-32.
1931-32	853,300	..	1,12,20	..
1932-33	663,700	—22	93,22	—17
1933-34	702,800	—18	1,00,18	—11
1934-35	729,400	—15	1,02,41	—9

11. *Goods Rates*.—It will be seen that the imposition of the 15% surcharge on coal (*vide* paragraph 7) helped to maintain railway revenues and a reduction

made in 1935-36 has led to a fall in revenue, although there has been an increase in the tonnage carried.

As regards petrol (*vide* paragraph 8), with the improvement in trade conditions there has been a partial recovery in the tonnage carried, and the enhancement made has helped to reduce the loss in railway earnings. As against a drop of 11% in tonnage in 1934-35 as compared with 1930-31, there has been a drop of 4% in earnings.

As regards sugar (*vide* paragraph 9), factors other than an alteration in the rates have also contributed to the variations both in the volume of traffic carried by railways and the earnings therefrom. Up to 1931-32 to 1933-34, there was a fall both in tonnage and earnings. But with the recent growth of the sugar industry, however, up-country sugar factories have been able to extend their markets farther afield, leading to increased traffic. Earnings have not increased proportionately with the volume of traffic, as traffic from up-country sugar factories is comparatively short-lead or moves at special reduced rates which have been quoted by Railways to assist the movement of traffic to distant markets. In fact, an analysis of this traffic affords an apt illustration of the difficulties in assessing with any accuracy the effect of alterations in rates.

As regards kerosene oil (*vide* paragraph 10), the fall in tonnage is accounted for partly by trade depression and partly by the greater use of electricity in the larger towns. The sudden drop in 1932-33 was due largely to a rate-war between the two principal oil companies, when stocks were laid in by dealers and speculators. The decrease in earnings has, however, been less than the decrease in the tonnage carried.

This review of freight rates shows clearly how difficult it is to isolate the effects of various general factors affecting the movement of traffic, *e.g.*, depression in agricultural and industrial conditions, growing competition with road transport, changes in the nature of trade demands, etc., etc., in order to estimate with any approximation to accuracy the exact measure of the financial loss or gain consequent on alterations in rates and fares. The difficulties of this assessment are accentuated in a period of continued economic depression.

APPENDIX V.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM BENGALE RAILWAY, BENGALE NAGPUR RAILWAY, BENGALE AND NORTH WESTERN RAILWAY, BOMBAY BARODA AND CENTRAL INDIA RAILWAY, BURMA RAILWAYS, EASTERN BENGALE RAILWAY, EAST INDIA RAILWAY, GREAT INDIA PENINSULA RAILWAY, MADRAS AND SOUTHERN MAHARATTA RAILWAY, NORTH WESTERN RAILWAY, ROHILKUND AND KUMAON RAILWAY, SOUTH INDIA RAILWAY, H. E. H. THE NIZAM'S STATE RAILWAY, AND THE MANAGER, JODHPUR RAILWAY, No. 3027-B, DATED THE 9TH JULY 1936

Supplementary grants.

Criticisms have frequently been expressed in discussions in the Legislative Assembly and the Public Accounts Committee that demands for supplementary grants are not placed before the Assembly till after the expenditure has already been incurred. The Railway Board are anxious to do all that is possible to avoid grounds for criticism in this respect and desire the co-operation of railway administrations in order to achieve this purpose.

2. Since the sessions of the Assembly generally take place in August-September and January-March, it is desirable that the estimates of railway administrations regarding additional funds required should be in the hands of the Railway Board not later than the 15th August and 15th December each year.

3. The Board recognise that an estimate submitted in August can only be very rough. It can only be based on the expenditure in the first 4 months or less of the financial year and will naturally include only items of *new* expenditure which were definitely not anticipated in the budget and which cannot be postponed without serious detriment to safety or efficiency. As examples might be mentioned expenditure on reconstruction of a bridge seriously damaged by floods, or expenditure on new staff necessitated by very considerable increase in traffic not foreseen in the budget. In submitting such demands the administration should review the position in as much detail as possible at the time and examine whether such expenditure can be met by savings in expenditure provided for in the budget when such savings can be foreseen or can be achieved without serious damage. A report should be submitted to the Railway Board before the 15th August at the latest whether such examination discloses the necessity of additional grants or the possibilities of net savings in order to enable the Board to set off savings in one railway against excesses on another and to place before the Assembly an estimate of the net additional grant required, if any.

4. The estimate of additional funds required in December can be prepared in conjunction with the revised estimates. The administration will be in a better position than in August to review the whole position and arrive at a reliable estimate of the expenditure likely to be incurred during the financial year and how it compares with funds already provided both in the original budget and by means of supplementary grants, if any.

5. Finally, the position should, as at present, be reviewed finally at the end of February and the Railway Board informed by the first week of March whether on the basis of expenditure up to date the Railway administration require further funds or are in a position to surrender any of the funds already allotted under the various demands.

6. It is needless to say that the demands in all these cases should be supported by adequate explanations of the reasons for the demand.

7. In this connection the Railway Board desire to draw the attention of the Railway administrations to paragraph 15 of the Railway Audit Report, 1936, where it is pointed out that on certain railways reappropriations were made only towards the end of the year. The Railway Board have in the past issued instructions to railways that reappropriations should be made as and when necessary. The whole object is to ensure that, as far as possible funds which are not required are withdrawn from disbursing officers as soon as it is definitely known that they are not required; and incidentally to provide that any really unavoidable expenditure is met from such savings as far as possible. The Board recognise, however, that it would probably conduce to more effective financial control if reappropriations are not made haphazard on the basis of individual items of expenditure where the original provision is exceeded, and that in many respects it is better to review the position as a whole at intervals and carry out the necessary reappropriations. They therefore consider that advantage should be taken of the review of the whole position which, as prescribed in the above paragraphs, will be undertaken in August, December and February to carry out the re-appropriations necessary; but, when funds have to be provided for new expenditure under one of the sub-heads and the administration are definitely in a position to withdraw the grant from another sub-head for this purpose, re-appropriations can suitably be made at the time.

No 3027-B.

Copy forwarded, for information and guidance to the :—

Chief Mining Engineer, Railway Board.

Senior Government Inspectors of Railways, Circles Nos. 1, 4, 5 and 7.

Government Inspectors of Railways, Circles Nos II and II-A.

Administrative Officer, Vizagapatam Harbour Construction.

Chief Controller of Standardization, Central Standards Office.

Copy forwarded for information to the .—

Chief Accounts Officer, Burma, Eastern Bengal, East Indian,
Great Indian Peninsula and North Western Railways.

Director, Railway Clearing Accounts Office,

Controller of Railway Accounts and Director of Railway Audit.

APPENDIX VI.

Memorandum by the Auditor General in regard to the improvement in the form of the balance sheets and profit and loss accounts of railway collieries,

The introduction of a system of proper commercial accounts on all collieries worked by Railways was discussed at some length by the Public Accounts Committee dealing with the accounts of 1928-29. The Financial Commissioner, Railways, explained "that the difficulty is one of settling the prices which the Railways ought to pay to their own collieries for coal, so that it was not possible to get an exact profit and loss account". The difficulty of ascertaining the true commercial profit of these collieries arises from the fact that Railways to a considerable extent control the coal market. It cannot be definitely stated that the market price quoted for a particular class of coal or coal from a particular colliery would have been the same if a smaller or larger order had been placed by the Railways for that quality of coal. The Committee accepted the explanation and "considered that accurate costing accounts should be kept, including all charges, so that, in a broad way, one could see from year to year whether it paid the Railways to work their own collieries or whether they were losing in doing so instead of buying their coal from outside".

2. The Public Accounts Committee, dealing with the accounts for 1929-30, was supplied with forms of accounts to be kept by Railway collieries, drawn up in consultation with the Director of Railway Audit and the Director of Commercial Audit. These forms were drawn up after consulting the forms of *pro forma* Balance sheet and Revenue account similar to the ones used by all coal companies under the management of a certain firm in India. The Committee was satisfied that the general purpose of the recommendations of the previous Committee was being fulfilled.

3. In 1932, an officer of the Railway Accounts Department was placed on special duty to examine thoroughly various matters of detail connected with the accounts of the railway collieries and as the result of his investigation the accounts were overhauled.

4. The forms of annual accounts have again been re-examined by the Director of Railway Audit and the Controller of Railway Accounts and they have both come to the conclusion that they adequately fulfil the purpose for which they were devised. They however consider that the description "Profit and Loss Account" is not only unsuitable but even positively misleading. The object of this statement as already stated is to present "accurate costing accounts, including all charges", so as to furnish information as to whether it was cheaper to raise coal than to buy it in the open market, and the more appropriate heading of the account would be "Statement of all in costs of coal". It will follow that the entries of essential interest to the Public Accounts Committee are those under the heading "Rate per ton".

APPENDIX VII.

Note by the Railway Board regarding Policy of Railways in regard to freight rates to and from ports.

The Public Accounts Committee in paragraph 18 of their report (August 1935) recorded as follows.—

“ The Committee desired that the Railway Department should examine and send a note to the Committee to show whether is any basis for the allegation generally made that the rates of freight at present charged operate in such a way as to help the export of raw materials and the import of foreign manufactured goods to the detriment of Indian industries ”.

2. The Railway Board believe that the origin of this allegation is to be found in the special rates that were being quoted many years ago when industrial conditions in India were very different to what they are at present. Such industries as existed absorbed only a small fraction of India's large supplies of raw materials and could meet only a small part of her demand for manufactured goods India's foreign trade was, therefore, characterised by large movements of raw materials to the ports and large imports of finished goods from the ports. This constituted the nature of the demand for transport which the Railways had to meet and to which their tariffs had accordingly to be adjusted.

3. Conditions in this respect have materially altered within the last quarter of a century, but the allegation that the railway freight rates charged operate to help the export of raw materials and the import of foreign manufactured goods continues to be made, apparently because railway tariffs show a large number of special rates quoted for traffic to and from the ports. Practically all these rates have been influenced by the fact that the ports are the chief distributing centres and incidentally also the more important industrial centres.

4. The following extract from the report of the Acworth Committee which enquired into the administration and working of Indian Railways in 1920-21, might be considered as effectively disposing of the charge against Railways on the point in question :—

“ 149. It is an Indian grievance of old standing—It was voiced in the Legislative Assembly at Delhi in 1915 by a distinguished Indian now a Member of the Executive Council of Bombay, Sir Ibrahim Rahimtoola—that the railways fix their rates to suit their own pecuniary interests—if indeed it be not to suit the interests of European merchants—regardless of the effect of these rates on the native industries of India. And we have no doubt that the charge is accepted as proved by a large proportion of Indian traders.

150. Charges based upon motives are difficult to prove or to disprove. It was not our duty to investigate specific cases in detail, nor would the time at our disposal have permitted us to do so. Unquestionably, low exceptional rates exist for traffic to and from

ports especially the great ports of Calcutta and Bombay. But exceptional rates such as these exist in every country, and are justified on the ordinary grounds, not only of the economy of handling goods in large volume, but also of competition between railway systems serving the same distributing or consuming area.

151. In one respect, at least, the Indian Railways have refrained from following the accepted railway practice in other countries. It is usual in most countries to concede for export traffic through a seaport rates which are not available to that seaport for local traffic, and *vice versa* in countries which adopt a Free Trade policy, to fix lower rates for the carriage inwards of goods imported through a port than for goods produced locally at the port town. This practice is not, so far as we have been able to ascertain, followed in India. Bombay receives from up-country large quantities of raw cotton, part of which is worked up on the spot and part exported. Similarly, Bombay distributes to up-country points large quantities of cotton cloth, part of it locally manufactured and part imported. The raw cotton rates down to Bombay port and to Bombay town are the same, and so are the manufactured cotton rates upwards. The same principle, we understand, is applied elsewhere in the case, for instance, of the great Calcutta jute trade."

5. To permit of an appreciation of railway rating policy it is perhaps necessary to explain that, for the purpose of carriage by goods train, all commodities are grouped into classes of which there are sixteen. This grouping is for the purpose of:—

- (a) arriving at the rate to be charged when no station-to-station or schedule rate is quoted; and
- (b) fixing the maximum and minimum rate per maund per mile within the limits of which all rates, whether station-to-station or schedule must be kept, subject to exceptions specially authorised by the Railway Board.

The maximum rate for commodities in the 1st class is 0·38 pie per maund per mile and for commodities in the highest class 1·87 pie per maund per mile. The minimum rate for the two lowest classes is 0·10 pie per maund per mile and for the remaining fourteen classes is 0·166 pie per maund per mile. Within these maxima and minima Railways are permitted to quote special rates according as circumstances may require. These special rates may be either station-to-station rates quoted from and to specific points or scheduled rates applicable more or less generally. If no special rate is quoted, the rate normally applicable is the maximum of the class in which the commodity is placed.

6. Railways quote special rates when they have reason to believe that the free movement of traffic by railway would not otherwise be facilitated. The existence of alternative competitive routes, *e.g.*, the rivers in Bengal and coastal shipping the opening up and development of new ports, *e.g.*, Vizagapatam and ports in Katliavar, also influence the quotation of special rates

The following special rates quoted for cotton illustrate how coastal shipping influences the quotation of such rates :—

				Per maund.
				Rs. a. p.
Navsari to Howrah (1,168 miles)	..	..	.	2 1 9
Broach to Howrah (1,191 miles)	..	..	.	2 4 7

The Railways' classification for cotton is fourth class, the basis of which is 0·62 pie per maund per mile. To the rates arrived at on the actual distance are normally added what are termed "terminal charges". The above rates to Howrah have, however, not been arrived at on the actual distance by railway, but as follows :—

The ordinary railway freight charge to Bombay, *plus* incidental charges at Bombay which would be incurred if consignments were booked by railway to Bombay in the first instance and re-booked thence to Calcutta, *plus* the special rate which Railways have quoted from Bombay to Howrah in competition with the sea route.

Had these special rates from Navsari and Broach to Howrah not been quoted, the ordinary class rates would have applied *via* Amalner and Nagpur as follows :

				Per maund.
				Rs. a. p.
From Navsari (1,168 miles)	..	..	..	3 13 8
From Broach (1,191 miles)	..	..	..	3 14 10

With these rates, however, the traffic would not be carried direct to Calcutta, but would move to Bombay and thence re-booked to Calcutta. The quotation of these special rates is obviously justified, but there is no reason for allowing for cotton consigned from Navsari and Broach to, say, Cawnpore special rates on the same or any other basis lower than the fourth class rate. The rates to Cawnpore are accordingly :—

				Per maund.
				Rs. a. p.
From Navsari (831 miles)	..	.	..	2 8 2
From Broach (761 miles)	..	..	..	2 5 4

It will be seen that, although the distance to Cawnpore is 337 miles less than to Howrah and from Broach to Cawnpore 430 miles less, yet the freight rates to Cawnpore are 0·6·5 pies more from Navsari and nine pies more from Broach than they are to Howrah. It is presumably instances of this kind that lend colour to the suggestion that railway freight rates help the export of raw materials to the detriment of Indian industries. If Railways were not permitted to quote special rates, as in the case illustrated, without being compelled to make reductions on the same basis to other centres without similar justification, they would inevitably lose the traffic within competitive areas or else be forced to lose revenue on traffic to areas where there was no competition.

7. Special rates to the ports are also quoted in order to assist in getting commodities placed on the markets of the world in competition with other producing countries. For example, low special rates have been quoted for manganese ore from the Central Provinces to the ports of Bombay, Calcutta and Vizagapatam and for chrome ore from Baluchistan to Karachi, as such traffic could not possibly move if the class rate (in these cases first class, *i.e.*, 0·38 pie per maund per mile) were applied. The North Western Railway have also notified a rebate of 25 per cent. of the railway freight charges on wheat carried to Karachi for export to ports west of Aden with a view to facilitate the export of surplus produce in competition with wheat from other countries. In spite of this substantial reduction, the tonnage exported has been comparatively insignificant.

8 During the course of the discussion at the meeting of the Public Accounts Committee (*vide* the first paragraph of this memorandum) it was suggested that the rates for piece-goods and for rice in the Madras Presidency might in this connection be examined. The rates for piece-goods from the ports of Bombay, Calcutta, Karachi and Madras have been compared with those quoted for internal movements by the Railways serving these ports. In no case has the traffic any greater advantage in the matter of freights than it is open to such traffic to secure by existing alternative channels of transport over which the Railways have no control. For example, for piece-goods from Bombay to Calcutta (1,221 miles) the rate per maund is Re. 1-1-0 per maund whereas from Bombay to Nagpur (518 miles) the rate is Rs. 2-2-11 per maund. In the latter case, no convenient alternative mode of transport is available, and the rate is, therefore, based on the classification of the commodity (as explained in paragraph 5) on the actual distance from Bombay to Nagpur. In the case of traffic from Bombay to Calcutta, a rate on the same basis would result in the entire traffic offering being carried by sea. The special rate to Calcutta is, it may be added, applicable both for imported and for indigenous piece-goods.

As regards the freight rates for rice in the Madras Presidency, the Railways principally concerned are the Madras and Southern Mahratta and South Indian. On the Madras and Southern Mahratta Railway, the rates chargeable over the system generally are the maximum, *i.e.*, 0·38 pie per maund per mile, but for consignments of not less than 400 maunds from broad gauge stations and 270 maunds from metre gauge stations, the schedule C/G rate applies. The basis of this schedule, which is telescopic, is as follows :—

Miles.	Pie per maund per mile.					
1—300	·38
301—400	·30
401—500	·20
501—600	·125
601—700	·115
over 700	·10

Lower rates than those arrived at under this schedule are quoted for internal movements but not for traffic from the ports.

On the South Indian Railway, the rates for traffic from the ports are the maximum, *i.e.*, 0·38 pie per maund per mile, while for internal movements there are special rates varying from 5 to 31 per cent lower than the maximum.

9. The detailed examination made by the Railway Board of the rates policy of Railways in regard to port rates does not indicate that any of these rates operate to the detriment of Indian industries. On the contrary, a very large number of special rates have been quoted for Indian industries on a basis appreciably lower than those applicable from the ports, *e.g.*, for sugar from the sugar producing areas, iron and steel from Tatanagar, etc.

APPENDIX VIII.

Report by the Railway Board on the financial results of the electrification of the South Indian Railway in Madras.

The Public Accounts Committee desired to have a report on the financial results of the electrification of the suburban section of the South Indian Railway. The first complete year of working of the electric service was 1932-33, the electric service having been started on the 11th May 1931. The Financial results for the years 1932-33, 1933-34 and 1934-35 are shown in the attached statement. This statement has been prepared by the Railway Administration in consultation with the Government Examiner of Accounts. In preparing this statement the same form as that prepared in 1933 by Mr. Nixon, then Director of Railway Audit, for exhibiting the financial results of electrification of the Great Indian Peninsula and Bombay, Baroda and Central India Railways has been adopted.

2. The figures are summarised below :—

				Traffic in train miles (lakhs).	Percentage of net savings on net outlay.
Estimate	..	.	..	Not available.	13 00
1932-33	..	..	..	6.77	2.46
1933-34	..	..	..	6.13	0.48
1934-35	..	..	..	6.01	1.81

Figures for 1935-36 are not yet available.

3. The poor results are due to the large increase in cost over estimates (from 47 to 74 lakhs) and the fall in earnings.

4. As regards the increased cost of 27 lakhs, the greater part of the increase is due primarily to a change of allocation of the total expenditure between the electrification scheme and the Madras improvement scheme with which it was originally combined. Efforts were made to separate the two schemes, but they were so interlaced that it was difficult to fix a definite border line. Finally, a sum of about Rs. 15 lakhs, being the cost of automatic signalling and interlocking, quarters for operating staff and electric lighting of stations and quarters, which were originally considered to be part of the improvement scheme, was debited to the electrification scheme. In considering the results, therefore, of the latter, it would be justifiable to exclude this item. If this is done, the gross outlay would be reduced from 74 lakhs to 59 lakhs and the *net* outlay from 37½ lakhs to 22½ lakhs.

The return on capital will then be—

1932-1933	..	9.20
1933-1934	..	2.82
1934-1935	..	5.00

5. The other reasons for the excess in cost were as follows :—

- (1) New works not originally contemplated but subsequently found necessary during the execution of the work (2.7 lakhs.).

- (ii) Payment made to the Telegraph Department for shifting of Government telegraph lines not originally provided for (2.9 lakhs).
- (iii) Excess in the actual cost of sub-station buildings and electric lighting of stations (2.7 lakhs).
- (iv) Purchase of additional electric stock for goods services not part of the original scheme (5 lakhs).

6. As regards the fall in earnings, the total number of passengers carried showed a considerable increase as compared with 1925, but the passengers fares had to be reduced and cheap season tickets introduced for servants at a nominal rate of 6 annas per month for a distance of 10 miles to combat the severe bus competition. The position would have been worse but for the electrification.

7. The Director of Railway Audit has questioned the correctness of the assumption made in these calculations that the number of train miles would be the same both by steam and electric traction (which follows what was done in examining the electrification schemes on the Great Indian Peninsula and Bombay, Baroda and Central India Railways). His reason for the doubt is that in the original estimate, when comparing steam with electric traction, the Consulting Engineers had based their calculations on 26 steam trains a day and 43 electric trains a day. From this he infers that they meant to equate the two. This point will be further considered, but from the papers available it is considered more likely that the consulting Engineers were taking into account the maximum capacity per day in each case. Electric traction has a definite advantage over steam traction in a greater acceleration and a quicker turn round and consequently, if necessary, 43 electric trains can be worked a day, whereas the maximum with steam trains would be only 26.

8. The Director of Railway Audit has also expressed a doubt about the assumption that an expenditure of 22 lakhs would have been incurred on the purchase of all-steel coaches if the electrification scheme had not been carried out. In his opinion it is problematical whether the comparatively costlier steel coaches would actually have been ordered instead of ordinary wooden coaches, if steam traction had been decided upon. The Railway Board agree that very likely all-steel coaches would not have been ordered if steam traction had been decided upon. On the other hand, steam operation could not provide an equivalent service to that which is being maintained with electric traction and it is the improved service which has created the demand

SOUTH INDIAN RAILWAY.

Financial Results of Madras Suburban Electrification.

No.	Particulars.	Estimate.	Actuals.		
			1932-33.	1933-34	1934-35.
		Lakhs of Rs.	Lakhs of Rs	Lakhs of Rs.	Lakhs of Rs.
1	Traffic lakhs of Train Miles (Steam)	..	6.77	6.13	6.01
2	Gross outlay on Electrification	47.36	63.93	74.08	74.33
3	If no electrification, estimated extra steam outlay for increased traffic.	31.00	31.00	31.00	31.00
4	Cost of steam stock released because of Electrification	7.21	5.76	5.76	5.76
5	Net outlay on Electrification (Item 2, item 3—Item 4).	9.15	27.17	37.32	37.57
6	Cost of steam working—Working Expenses excluding depreciation	5.77	6.38	5.79	5.81
7	Cost of Electrical Working—Working Expenses excluding depreciation.	4.31	4.89	4.49	4.00
8	Gross savings in working expenses due to Electrification (Item 6—Item 7).	1.46	1.49	1.30	1.81
9	Depreciation on gross outlay on Electrification at 3 per cent. (Item 2).	1.42	1.92	2.22	2.23
10	Depreciation on steam outlay avoided at 3 per cent. on items 3 and 4	1.15	1.10	1.10	1.10
11	Increase in annual depreciation charges due to Electrification (Item 9—Item 10).	0.27	.82	1.12	1.13
12	Net savings in working expenses due to Electrification (Item 8—Item 11).	1.19	.67	.18	.68
		Percent- age.	Percent- age.	Percent- age.	Percent age.
13	Percentage of gross saving without allowing for depreciation on gross outlay (Item 8 × 100) (Item 2).	3.08	2.33	1.75	2.44
13(A)	Percentage of gross savings (after allowing for depreciation on Electric outlay) on gross outlay [(Item 8—9) × 100 Item 2]	.08	— .67	— 1.24	— .57
14	Percentage of gross savings on Net outlay (Item 8 × 100) / (Item 5).	15.96	5.48	3.50	4.82
15	Percentage of net savings (after allowing for depreciation) on gross outlay (Item 12 × 100) / (Item 2).	2.51	1.05	.24	.91
16	Percentage of net savings (after allowing for depreciation) on net outlay (Item 12 × 100) / (Item 5).	13.00	2.46	.48	1.81

APPENDIX IX.

Summary of the approximate financial results of Indian State-owned railways in 1935-36.

Approximate figures of railway revenue and expenditure for 1935-36 which are now available show a deficit of nearly 4 crores, which is over half a crore less than the revised estimate made in February last and over a crore less than the deficit in 1934-35.

For the greater part of 1935-36, railway revenues were more or less steadily worse than the previous year. It was only in the last 5 or 6 weeks of the year that there was a welcome change.

Gross traffic receipts of State-owned railways for 1935-36 amounted to 90-2/3 crores or about half a crore more than in the previous year.

Ordinary working expenses (excluding depreciation) amounted to 50 3/4 crores or half a crore more than in the previous year. As the increase due to withdrawal of the cut in pay amounted to 90 lakhs, this was tantamount to a decrease of nearly 40 lakhs, in expenditure coinciding with an increase of half a crore in earnings.

According to the new method of calculation of the contribution to the Depreciation Reserve, the amount set apart for depreciation was 13 1/4 crores, or nearly half a crore less than in the previous year.

Net traffic receipts were 26.60 crores or 39 lakhs more than in 1934-35.

Miscellaneous transactions resulted in a net addition of 86 lakhs against 53 lakhs in the previous year, and the net revenue available for meeting interest charges was nearly 27 1/2 crores, about 3/4 crore more than in 1934-35.

The total interest payable was 31.42 crores, or 38 lakhs less than in 1934-35.

The deficit was just under 4 crores and 110 lakhs less than in the previous year.

The appropriation to the Depreciation Fund was 13 1/4 crores, and the amounts withdrawn for renewals amounted to 9 1/4 crores. The net accretion to the Fund of 4 crores was almost entirely required to meet the deficit, and the actual balance at the credit of the Fund was increased by only 6 lakhs during the year.

The actual balance at credit of the Fund was 9 1/2 crores ; and the nominal balance 41 crores.

The total capital expenditure was 2 1/2 crores ; and stores balances remained practically unchanged at about 9-1/3 crores.

At the end of 1935-36, the liabilities of railways amounted to 57 1/4 crores, of which 31 1/2 crores represent loans from the depreciation fund and 25 3/4 crores unpaid contributions due to general revenues from 1931-32 to 1935-36.

The ratio of ordinary working expenses to gross traffic receipts was 56 per cent.

The ratio of total working expenses (including depreciation) was 70 per cent.

These ratios are about the same as in the previous year.

The ratio of net revenue to the capital at charge was 3·44 per cent. against 3·36 per cent. in the previous year.

Taking all Class I railways together, goods earnings in 1935-36 were a trifle better. In four main commodities, earnings were considerably lower than in 1934-35. These were Rice (41 lakhs) Grams and Pulse (25 lakhs), oil seeds (21 lakhs), Jute (29 lakhs). On the other hand, the earnings were distinctly better in 3 main commodities—Metallic ores (35 lakhs), Cotton raw (35 lakhs), Iron and steel (23 lakhs). Small improvements in many other commodities resulted in a total net improvement in goods earnings of about 40 lakhs.

				1934-35.	1935-36.	
					Revised estimates.	Latest approximate estimates.
Gross Traffic receipts .. ..	..	..	..	90 20	90·00	90·65
Ordinary operating expenses ..	..	..	..	50·27	50·75	50·80
Depreciation .. ..	..	..	..	13·72	13 26	13 25
Net traffic receipts .. ..	..	..	..	26·21	25·99	26·60
Net Miscellaneous receipts .. ..	..	..	..	·53	·84	·86
Total net revenue .. ..	..	..	..	26·74	26·83	27·46
Interest .. ..	..	..	..	31·80	31 37	31·42
Deficit .. ..	..	..	..	5·06	4·54	3·96

APPENDIX X.

Memorandum by the Financial Commissioner of Railways on the policy of the Railway Board in the matter of stores purchases.

1. The Standing Finance Committee for Railways at their meeting held on the 21st September 1935 desired to be furnished with a memorandum detailing the policy followed by the Railway Board in the purchase of stores.

2. The Railway Board strictly follow the policy laid down in 1929 by the Government of India in the preamble to the rules for the supply of articles required to be purchased for the public service (Annexure A). The policy of the Government of India in this matter, as enunciated in those rules, is to make purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency

3. In order to give the fullest effect to that policy the following procedure has been laid down by the Railway Board :—

- (i) Purchases of rails and fishplates, sleepers, locomotives, coaching underframes, goods stock and coal for the State-managed railways are controlled by the Railway Board. Company-managed railways have voluntarily agreed to come into the combined arrangements for purchases in many respects, *e.g.*, rails.
- (ii) The power of giving price preference in favour of indigenous products in order to encourage existing and new industries in India has been retained by the Railway Board and has been used freely. When purchasing locomotives and carriage and wagon fittings and components State-managed railways are required to refer to the Railway Board before any tenders for imported stores are accepted.
- (iii) As regards other classes of stores manufactured in India, railways are required to submit to the Railway Board quarterly reports detailing with full reasons for their action all cases where they have placed orders for materials of foreign manufacture when tenders were received for the same materials of Indian manufacture. This was one of the recommendations of the Railway Retrenchment Sub-Committee whose remarks on the subject of stores purchase are reproduced in Annexure B for facility of reference.
- (iv) The Railway Board is increasing the types and quantity of stores purchased through the Indian Stores Department on behalf of State-managed railways. The Board meets the Chief Controller, Indian Stores Department, half-yearly to discuss and settle with him new items of railway stores, the purchase of which by State-managed railways through the agency of the Indian Stores Department should be made obligatory. Consequently the value of stores purchased by the Indian Stores

Department on behalf of Indian railways has increased from Rs. 74 lakhs in 1927-28 to Rs. 265 lakhs in 1934-35.

4. One or two concrete instances of action taken by the Railway Board to help and encourage existing industries and to foster new ones in India during the past few years are given below .—

- (a) All orders for major bridge work and for the renewal of large bridges such as the Ava (Burma), Willingdon (E. I. R.), Broach (B. B. and C. I.), Chambal and Sindh (G. I. P.) have been placed for construction in India by Indian firms.
- (b) For the years 1933-34, 1934-35 and 1935-36 orders for the construction of approximately 3,000, 3,000 and 3,750 new wagons respectively were placed with Indian firms for construction in India.
- (c) Due largely to the progress made in standardization of design—
 - (i) Vacuum brake material used on coaching and goods stock is now wholly manufactured in India.
 - (ii) The manufacture in India of permanent-way fittings, track tools, etc., and the development of the re-rolling industry has been increased enormously.
 - (iii) A factory has been started in Calcutta to manufacture railway rubber fittings.
- (d) The manufacture of points and crossings and signal material has been discontinued in some railway workshops and restricted in others to mere repair operations, and orders for all new works are placed in the market in India.
- (e) Results of experiments and tests carried out by railways on new stores and material (largely indigenous products) are now circulated to the Board, Indian Stores Department, and other State-managed railways. When an item has been found to be unsatisfactory owing to its being inferior to other makes or brands, not up to specification, etc., its deficiency is specially investigated.

6. A statement showing the value of stores (imported direct, imported stores purchased in India, and indigenous stores) purchased by the State-managed railways and Company-managed railways during 1931-32, 1932-33, 1933-34 and 1934-35, the value of stores purchased by these railways through the Indian Stores Department and the value of stores purchases controlled by the Railway Board is attached for the information of the Committee. The value of stores purchased by railways through the Director General, India Store Department, London, during the same period was as follow :—

				£	Rs.
1931-32	.	..	..	23,485	= 3,13,133-5-4
1932-33	..	..	.	28,507	= 3,80,093-5-4
1933-34	..	..	..	44,763	= 5,96,840-0-0
1934-35	..	..	..	35,669	= 4,75,586-10-8.

ANNEXURE A.

Rules for the supply of articles required to be purchased for the public service.

PREAMBLE.

The policy of the Government of India is to make their purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency, and the following rules, which are applicable to the purchase of stores (other than printing and stationery stores) for the Government of India and for provinces other than Governors' provinces are prescribed in accordance with this policy. These rules supersede all previous orders on the subject.

In order to give effect to the above policy preference in making purchases will be given in the following order :—

- First*, to articles which are produced in India in the form of raw materials, or are manufactured in India from raw materials produced in India, provided that the quality is sufficiently good for the purpose ,
- Secondly*, to articles wholly or partially manufactured in India from imported materials provided that the quality is sufficiently good for the purpose ,
- Thirdly*, to articles of foreign manufacture held in stock in India provided that they are of suitable type and requisite quality ,
- Fourthly*, to articles manufactured abroad which need to be specially imported.

Departments of the Government of India, or officers specially authorised in this behalf, may, when they are satisfied that such a measure is justified, allow a limited degree of preference in respect of price to articles produced or manufactured in India either wholly or in part.

Rule 1.—Save as provided in Rules 7 and 8, all articles required to be purchased for the public service shall be purchased on the condition that delivery shall be made in India for payment in rupees in India.

Rule 2.—Tenders shall be invited in India, and abroad also when considered desirable, for the supply of all articles which are purchased under rules 1 to 4, unless the value of the order to be placed is small or sufficient reasons to be recorded exist which indicate that it is not in the public interest to call for tenders. No tender which fails to comply with the conditions as to delivery and payment prescribed in Rule 1 shall be accepted.

Rule 3.—All articles, whether manufactured in India or abroad, shall be subject to inspection before acceptance, and articles for which specifications and/or tests have been prescribed by competent authority shall be required to conform to such specifications and/or to satisfy the prescribed test or tests which may be carried out during manufacture or before or after despatch from the suppliers' premises.

Rule 4.—Important plant, machinery and iron and steel work shall be obtained only from firms approved by the Chief Controller of Stores, Indian Stores Department, and specified in the lists issued by him from time to time.

Rule 5.—In the case of important construction works let out on contract, articles required for the construction of such works may be supplied by the contracting firm provided that when specifications and/or tests have been prescribed for such articles they shall conform to such specifications and/or shall satisfy such tests

Rule 6.—Nothing in these rules shall be deemed to prohibit the purchase of articles by one Department or Railway from another

Rule 7.—The articles enumerated in the Schedule below or any other articles of a special or unusual character, may, when suitable and economical purchases cannot be made in accordance with the preceding rules, be obtained without reference to those rules subject to the following conditions .—

- (a) Where the value of the purchase exceeds Rs. 5,000 the purchasing officer shall place on record his reasons for not effecting the purchase in accordance with the preceding rules
- (b) The purchasing officer may at his discretion either obtain the article that he requires by indent on the India Store Department, London, or purchase it direct from manufacturers or dealers abroad. Where resort is had to direct purchase from manufacturers or dealers abroad, tenders shall, whenever practicable, be first obtained.
- (c) When articles are purchased abroad under this rule through the agency of the India Store Department, London, payment shall be made by that department.

In other cases payment shall be made—

- (i) in countries other than Great Britain and Northern Ireland, direct to the suppliers by the purchasing officer ,
- (ii) in Great Britain and Northern Ireland, through the High Commissioner for India.

Rule 8.—Lethal weapons, munitions of war, technical apparatus and equipment, and any other stores required by the Naval, Military or Air Forces of the crown in India for which drawings, patterns, specifications, or designs have been issued, prescribed or announced by the Admiralty, War Office, Air Ministry, Government of India, or Commander-in-Chief in India, shall be obtained by indent on the India Store Department, London, unless they are available in India in accordance with the prescribed drawing, pattern, specification or design. Any departure from this rule requires sanction of the Government of India, and whenever an expenditure exceeding Rs. 20,000 is incurred in any individual case to which such sanction has been accorded it shall be reported to the Secretary of State for India in Council.

SCHEDULE

- (i) Seeds.
- (ii) Cinchona Bark
- (iii) Articles for experimental purposes.

- (iv) China, glass, cutlery, plate, crockery and perishable fabrics, including linen for residences which are furnished by Government.
- (v) Copper, zinc and other non-ferrous metals produced in Australia or America.
- (vi) Timber produced in Australia or North America.
- (vii) Such articles as the Superintendents of Vaccine Depots may require for the preparation of vaccine lymph.
- (viii) Chemicals and scientific instruments.
- (ix) Preserved and tinned foodstuffs.
- (x) Articles required for Viceregal residences.

ANNEXURE B.

CHAPTER XII.

MISCELLANEOUS MATTERS.

Stores Purchase.

189. We held a joint meeting with the Stores and Printing and Stationery Retrenchment Sub-committee to discuss the purchase of stores for Railways through the Indian Stores Department. The total purchases made by railways through the Indian Stores Department in 1929-30 amounted to $1\frac{1}{2}$ crores, whereas the total cost of material purchased amounted to 30 crores of which $13\frac{3}{4}$ crores represented indigenous material. We must, however, observe that the proportion of purchases through the Indian Stores Department should not be taken on the figure of 30 crores, as this includes materials like rolling stock, permanent way, bricks, ballast, etc., which it is neither necessary nor practicable to buy through the Indian Stores Department. We recognise that it is difficult to lay down general principles in this matter and that each case must be considered on its merits. We think that the present system by which the Railway Board discuss periodically with the Indian Stores Department the new classes of stores that can be added to the list of stores purchased through the Indian Stores Department is a convenient and practical method. We agree with the Chief Controller of Stores, that, though Railways can in many cases buy as cheaply directly as through the Indian Stores Department, they should take into account the fact, that other smaller departments get the benefit of lower prices on account of combined purchases on a large scale. This argument applies strictly to articles which are in demand by other departments as well as by railways. Both the Chief Commissioner and the Financial Commissioner of Railways agree that when, with regard to any class of stores, they were convinced that it would be advantageous to the State as a whole to purchase through the Indian Stores Department, they would consider handing over the purchase to them and not look to the interests of railways alone.

190. In pushing too far the system of bulk purchase through the Indian Stores Department, or otherwise, two dangers are to be guarded against. One is the possibility—and undesirability—of increasing stores balances. The other is the risk of the system of bulk and centralised purchase resulting in giving an advantage to the foreign manufacturer who has the benefits of mass

production and can usually quote better terms than the indigenous manufacturer who usually manufactures on a small scale, and in preventing new firms from getting a footing in the market, thus leading to the formation of a combine.

191 We observed a flaw in the present procedure for considering price preferences to indigenous material since powers have not been delegated to Agents or railways by the Government of India. It is only when a recommendation is made to the Railway Board by the Agent that they can decide whether a preference should be given or not. We feel that some Agents might, not knowing the Railway Board's policy in the matter, consider a particular percentage unreasonably high, and refrain from referring the matter to the Railway Board whereas if the matter is referred to the Railway Board it is possible that the difference in price might be considered by the latter to be so small as to justify the indigenous material being preferred. We recommend that railways should report periodically to the Railway Board all cases where the Agent has without a reference to them decided to place orders for foreign material, because in his opinion the disparity in price was too high. We also recommend, that with a view to facilitate the active compliance by Agents with the policy of the Government in this regard, powers may be delegated to Agents authorising them to give price preferences to a limited extent (say 5 per cent.), provided that the amount in any case does not exceed a fixed maximum (say Rs. 500). If this recommendation is accepted, it should be made clear to Agents that these limits do not represent the maximum preference which the Railway Board are prepared to give which must necessarily depend on the circumstances of each case.

Statement showing the value of stores purchased by the State-managed and Company-managed railways during 1931-32 to 1934-35, the value of stores purchased by those Railways through the Indian Stores Department and the value of stores purchases controlled by the Railway Board for those Railways during those years.

(Figures in thousands.)

Railways.	Total value of stores purchased.				Value of stores purchased through Indian Stores Department	Percentage Column 6 to 5.	Value of stores purchases controlled by the Railway Board.	
	A.	B.	C.	Total.			Percentage Column 8 to 5.	
1	2	3	4	5	6	7	8	9
<i>1931-32.</i>								
State ..	1,03,23	2,91,56	5,47,71	9,42,50	1,18,08	12.5	4,51,48	47.9
Company ..	1,41,21	1,28,46	3,87,24	6,56,91	7,87	1.2	1,73,73	26.4
Total ..	2,44,44	4,20,02	9,34,95	13,99,41	1,25,95	7.8	6,25,21	39.1
<i>1932-33</i>								
State ..	8,54	2,20,28	3,95,16	6,29,98	1,46,84	23.3	2,61,06	41.4
Company ..	79,00	1,07,12	2,87,83	4,73,95	4,70	99	96,87	20.2
Total ..	87,54	3,33,40	6,82,99	11,03,93	1,51,54	13.7	3,57,93	32.3

(Figures in thousands)								
Railways.	Total value of stores purchased				Value of stores purchased through Indian Stores Department	Percentage Column 6 to 5	Value of stores purchases controlled by the Railway Board	Percentage Column 8 to 5
	A	B	C.	Total				
1	2	3	4	5	6	7	8	9
<i>1933-34</i>								
State	66,81	2,50,63	4,94,51	7,51,95	1,70,92	22.7	3,22,17	42.8
Company	66,36	1,12,71	2,65,56	4,44,63	3,81	85	77,58	17.4
Total	73,17	3,63,34	7,60,07	11,96,58	1,74,73	14.6	3,99,75	33.4
<i>1934-35</i>								
State	5,40	2,58,28	5,41,52	8,05,20	2,53,51	31.48	3,48,19	43.2
Company	1,10,90	1,45,65	3,51,58	6,08,13	6,15	1.01	1,40,18	23.05
Total	1,16,30	4,03,93	8,93,10	14,13,33	2,59,66	18.37	4,88,37	34.5

Note.—A —Imported direct

B —Imported stores purchased in India.

C —Indigenous

APPENDIX XI.

Memorandum by the Railway Board on the progress of job analysis on Indian Railways up to 31st March 1935.

The Public Accounts Committee desired to have a report on the progress made in the job analysis on Indian Railways. The memoranda printed as Appendices VI and VII to the report of the Public Accounts Committee on the accounts of 1933-34, Vol. I, Part II, explain the position as it stood on the 31st March 1934. The figures for the year 1934-35 are given in paragraph 12 of the report by the Railway Board on Indian Railways, Vol. I, a copy of which is attached.

COPY OF PARAGRAPH 12 OF THE REPORT BY THE RAILWAY BOARD ON INDIAN RAILWAYS FOR 1934-35.

12 *Mr. Pope's investigations*—It was mentioned in the last year's report that the work of job analysis was still in hand on most of the railways and that the recommendations made by Mr. Pope in his second report were under the consideration of the Railway Board. The more important of the recommendations contained in the second report were on the following subjects—

- (i) Intensive use of locomotives.
- (ii) Intensive use of coaching stock
- (iii) Intensive use of machinery and plant.
- (iv) Uneconomical wagons.
- (v) Combining resources between railways
- (vi) Handling and transport of small traffic and of traffic to be trans-shipped at break-of-gauge stations
- (vii) Ticketless travel
- (viii) Methods of increasing earnings.

The Railway Board and Railway Administrations have already taken action in regard to some of the recommendations while others are under further detail investigation. Job analysis was continued on most of the Railways during the year under review and the following table shows the economies effected side by side with the cost of the organisations for the two years 1933-34 and 1934-35.

Railways	1933-34.		1934-35.	
	Cost of Job analysis organisa- tion.	Savings effected.	Cost of Job analysis organisa- tion.	Savings effected.
	Rs.	Rs.	Rs.	Rs.
E. I.	77,691	7,01,128	92,884	18,14,544
G. I. P. .. .	56,680	4,15,000	64,000	2,04,246
N. W.	32,000	12,66,749	46,006	12,37,376
E. B.	63,000	2,14,864	65,995	1,29,508
B. B. & C. I. ..	58,789	3,52,862	35,300	11,41,596
M. & S. M. ..	8,750	45,220	17,632	1,14,000
S. I.	19,580	27,400	2,180	25,000
Burma	7,500	25,871	26,615	73,352
Assam-Bengal ..	12,825	1,31,755	8,208	12,659

The subject of the organisation required to conduct job analysis was discussed with the Agents of principal railways in October 1934 and the majority held that a special organisation was no longer necessary, and that it would be preferable to make a yearly allotment to railways to utilise as they might think fit for carrying out special investigations. This, accordingly is being done on certain railways.

APPENDIX XII.

Report by the Railway Board on the financial results of the electrification of the railways in Bombay.

The attached statements which have been prepared in consultation between the Railway Administration and the Statutory Auditor concerned show the financial results of the electrification scheme on the Great Indian Peninsula and Bombay, Baroda and Central India Railways for the years 1930-31 to 1935-36. These have been prepared on the same basis as those which were prepared by Mr. Nixon as Director of Railway Audit in October 1933, and were placed before the Public Accounts Committee in 1934. The figures for the Great Indian Peninsula Railway show the result of all the schemes in a consolidated form as they are inter-dependent. It was found impossible to separate the figures for suburban services as the expenditure has not been separately booked under main line and suburban electric services.

2 The figures for the two railways are summarised below.—

	Great Indian Peninsula		Bombay, Baroda and Central India.	
	Traffic in train miles	Percentage of net savings on net outlay.	Traffic in train miles.	Percentage of net savings on net outlay.
	Lakhs.		Lakhs	
Estimate	55.40	10.51	16.60	16.93
1930-31	42.50	4.80	14.28	10.35
1931-32	41.87	5.37	13.43	10.96
1932-33	41.21	5.23	12.56	11.62
1933-34	41.85	4.90	14.00	13.43
1934-35	41.80	4.42	14.07	15.54
1935-36	42.37	4.86	14.31	16.63

3. On the Great Indian Peninsula Railway the decrease in the percentage in 1933-34 was due to certain adjustments between capital and revenue, and expenditure incurred for the first time on the normal periodical overhaul to electric locomotives. In 1934-35 the expenditure on overhauls and repairs increased. In 1935-36, besides the increase in traffic, the repairs to stock were not carried out on the same scale as in the previous year and economy was effected in the repair cost and stores. A reduction in staff was also made.

4. The more favourable results obtained on the Bombay, Baroda and Central India Railway as compared with the results on the Great Indian

Peninsula Railway are due to the fact that the gross capital expenditure in the former case was reduced to a much larger extent proportionately by the credit for the steam stock released. The actual value of this has proved to be even larger than was originally estimated. The results of 1935-36 are better than those of the previous year on account of the saving effected in the cost of electric current due to rewiring of buildings and change in the source of supply of electric current from Bombay Electric Company to Tatas.

5. The percentage given above have been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra outlay that would have been required for increasing traffic if no electrification had been carried out. This last is, as pointed out in the previous memorandum, problematical. Increased traffic has not materialised to the extent anticipated, and it is possible that *some part* of the estimated saving should be neglected. If *the whole* of it is neglected, the percentages will be as follows :—

						Great Indian Peninsula	Bombay, Baroda and Central India.
						Per cent.	Per cent.
1930-31	.	..	..			3.12	3.18
1931-32	.	.	..	.	.	3.58	3.46
1932-33	..	..	..	..	..	3.49	3.77
1933-34	.	.	..	..		3.24	4.61
1934-35	.	..	..	.	..	2.87	5.58
1935-36	..	..	..	..	..	3.20	6.10

6. As was pointed out last year, the real percentage of net savings for each railway probably lies between the figures in paragraphs 2 and 5 and, in all probability, more near the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case even if electrification had not been introduced, in order to improve the capacity of the line, though it is not now possible to state with any degree of accuracy the number of additional steam locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that, though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, land for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

STATEMENT 'A'.

Financial results of the Great Indian Peninsula Railway Electrification Schemes.

Particulars	Estimate of all Sections electrified Total Estimated.	Actuals including percentage cut					
		1930-31	1931-32	1932-33	1933-34	1934-35	1935-36.
1	2	3	4	5	6	7	8
1 Traffic in lakhs of train miles (Steam)	55 40	42 50	41 87	41 21	41 85	41 80	42 37
In lakhs of Rupees							
2. Gross outlay on electrification ..	950.90	942 65	953 93	964 72	959.78	959.30	959.53
3 If no electrification, estimated extra steam outlay for increased traffic	175 93	175.93	175 93	175 93	175.93	175 93	175.93
4. Cost of steam stock released because of electrification	254 71	172 98	172 98	172 98	172 98	172 98	172.98
5. Net outlay on electrification (item 2—item 3—item 4)	520 26	593 74	605.20	610 81	610 87	610 20	610.62
6. Cost of Steam Working, i.e., working expenses excluding depreciation	158 54	116 38	114.65	112 85	114.60	114.4	115.03
7 Cost of Electrical Working, i.e., working expenses excluding depreciation	87 52	72 85	63 83	65.08	68.81	71 67	70.51
8. Gross savings in Working Expenses due to Electrification (item 6—item 7) ..	71.02	43.53	47 82	47.77	45.79	42.79	45.51
9. Depreciation on gross outlay on Electrification	27.20	23 82	24.12	24.66	24.67	24.65	24.66
10. Depreciation on Steam outlay avoided	10 88	8 81	8 81	8 81	8.81	8.81	8.81
11 Increase in annual depreciation due to Electrification (item 9—item 10) ..	16.32	15 01	15 31	15 85	15 86	15.84	15.85
12. Net savings in working expenses due to Electrification (item 8—item 11) ..	54.70	28.52	32.51	31.92	29.93	26.95	29.66
Percentages							
13. Percentage of gross savings on gross outlay $\frac{(\text{Item 8} \times 100)}{(\text{Item 2})}$	7.17	4.62	5.01	4.98	4.77	4.46	4.74
14 Percentage of gross savings including depreciation on electrical assets only $\frac{(\text{Item 3} - 9 \times 100)}{\text{Item 2}}$	4.61	2 09	2.48	2.41	2.20	1.89	2.17
15. Percentage of gross savings on net outlay $\frac{(\text{Item 8} \times 100)}{\text{Item 5}}$	13.65	7.33	7.90	7.82	7.50	7.01	7.45
16. Percentage of net savings on gross outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 2}}$	5.75	3.03	3.41	3.33	3.12	2.81	3.09
17. Percentage of net savings on net outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 5}}$	10.51	4.80	5.37	5.23	4.90	4.42	4.86

Financial results of Suburban Electrification of the Bombay, Baroda and Central India Railway.

No	Particulars	Esti- mates	Actuals 1930-31	Actuals 1931-32.	Actuals 1932-33	Actuals 1933-34	Actuals 1934-35	Actuals 1935-36.
1	Traffic in lakhs of train miles (Steam)	16.60	14.28	13.43	12.56	14.00	14.07	14.31
				Lakhs of Rupees.				
2	Gross outlay on Electrification	204.28	202.90	202.90	202.90	202.90	202.90	202.90
3	If no electrification, estimates extra steam outlay for increased traffic	72.00	72.00	72.00	72.00	72.00	72.00	72.00
4	Cost of steam stock released because of electrification	50.00	68.79	68.79	68.79	68.79	68.79	68.79
5	Net outlay on Electrification (Item 2—Item 3—Item 4)	82.28	62.11	62.11	62.11	62.11	62.11	62.11
6	Cost of steam working—working expenses excluding depreciation	37.55	29.35	27.59	25.82	28.78	28.92	29.42
7	Cost of Electrical working—working expenses excluding depreciation	21.16	23.59	20.58	16.73	18.57	17.40	17.22
8	Gross savings in working expenses due to electrification (Item 6—Item 7)	16.39	5.76	7.01	9.09	10.21	11.52	12.20
9	Depreciation on gross outlay on Electrification at 3 per cent (Item 2)	6.12	6.09	6.09	6.09	6.09	6.09	6.09
10	Depreciation on steam outlay avoided at 3 per cent on items 3 and 4	3.66	4.22	4.22	4.22	4.32	4.22	4.22
11	Increase in annual depreciation charges due to Electrification (Item 9—Item 10)	2.46	1.87	1.87	1.87	1.87	1.87	1.87
12	Net savings in working expenses due to Electrification (Item 8—Item 11)	13.93	3.89	5.14	7.22	8.34	9.65	10.33
				Percentages				
13	Percentage of gross savings without allowing for depreciation on gross outlay $\frac{\text{Item 8} \times 100}{\text{Item 2}}$	8.02	2.84	3.45	4.48	5.03	5.68	6.01
13A	Percentage of gross savings (after allowing for depreciation on electrical outlay) $\frac{\text{Items 8-9} \times 100}{\text{Item 2}}$	5.03	—0.16	0.45	1.48	2.03	2.68	3.01
14	Percentage of gross savings on net outlay $\frac{\text{Item 8} \times 100}{\text{Item 5}}$	19.92	9.27	11.29	14.63	16.44	18.55	19.64
15	Percentage of net savings (after allowing for depreciation) on gross outlay $\frac{\text{Item 12} \times 100}{\text{Item 2}}$	6.82	1.92	2.53	3.56	4.11	4.76	5.09
16	Percentage of net savings (after allowing for depreciation) on net outlay $\frac{\text{Item 12} \times 100}{\text{Item 5}}$	16.93	10.35	10.96	11.62	13.43	15.54	16.63
17	Percentage of net savings (after allowing for depreciation) on actual gross outlay (of 202.90) with traffic of 16.60 lakhs train miles	6.86	2.23	3.13	4.70	4.87	5.62	5.90

APPENDIX XIII.

Memorandum furnished by the Railway Board regarding the verification of scrap material at Haji Bunder on the Great Indian Peninsula Railway.

The Public Accounts Committee desired fuller information in regard to (i) the reasons for the stock verification not having been carried out regularly and (ii) the punishment inflicted on the Depot Superintendent.

2. Generally the procedure on the Great Indian Peninsula Railway was to have all articles in stores checked periodically by stock-verifiers of the Accounts or Audit Department against the quantities shown in depot ledgers or cards by actual counting measuring or weighing. No such check had been made of ferrous scrap by the present Accounts Department or by the old combined Audit and Accounts Department since 1916. Deliveries only of ferrous scrap sold were witnessed by stock-verifiers till 1924, but the then Chief Auditor stopped even this witnessing, as he thought that this by itself was not a sufficient check and a complete periodical verification, as is done in the case of all other stores, was impracticable, owing to the scrap being generally too considerable in volume and weight to be handled by the available weighing facilities.

3 In 1928, when the Controller of Stores pressed for the reintroduction of the practice which was stopped in 1924, the whole question was examined by the Agent, who was of opinion that, in order to prevent frauds or mistakes, an accounts verification of weighments was essential. Accordingly it was arranged that all weighments of receipts and issues of scrap should be witnessed by a stock-verifier of the Accounts Department and this procedure is now being invariably followed.

4. As mentioned in the Audit Report, conditions of unprecedented congestion prevailed at Haji Bunder throughout the period of the arrival from abroad of materials for the suburban electrification scheme and precluded altogether any attempt being made to conduct ordinary departmental verifications even on a small scale. It appears that the procedure in force for many years before, broke down under these abnormal conditions and necessitated the introduction of the completely reorganised form of procedure now in force. This procedure, it is stated, has been so drawn up that even an acute congestion should not result in a repetition of the previous unsatisfactory state of affairs.

5. The Wharf Superintendent, the Agent states, was transferred to a less important charge in November 1932 and his pay was reduced from Rs. 600 per mensem to Rs. 500 per mensem, from 1st October 1933.

APPENDIX XIV.

Memorandum by the Railway Board regarding the average time taken to supply wagons to consigners at two selected stations each on the North Western and East Indian Railways.

The Public Accounts Committee at their meeting on the 22nd August 1935 desired that the priority registers for a week at two stations, one big and one small, some time during the course of a year should be examined and a summary given of the average time taken to supply wagons required by consigners.

2. The priority registers of the following stations were called for and an examination made of the entries relating to the period shown against each :—

North-Western Railway.—

Amritsar—first week of June 1935.

Jhelum—last week of May 1935, the case of priority registers detailing requirements for one type of stock ; last week of July 1935, in the case of priority registers detailing requirements for two other types of stock.

East Indian Railway.—

Cawnpore—first week of April 1935.

Aligarh—week ending 28th December 1934.

The result of the examination made was as follows :—

Amritsar.—22 wagons were requisitioned for during the week ; all were supplied on the same day.

Jhelum.—83 wagons were requisitioned for during the week , all were supplied on the same day.

Cawnpore.—77 wagons were requisitioned for during the week ; 49 wagons were supplied on the same day, 22 wagons on the following day, 3 on the third day, two on the fourth day and one on the fifth day. In the last case, one of the intervening days was a Sunday. The delay in the last four cases was due to long-type low-side trucks having to be specially obtained to comply with the requisition.

Aligarh.—63 wagons were requisitioned for ; 27 were supplied on the same day, and the remainder on the following day.

APPENDIX XV.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM BENGAL RAILWAY ; BENGAL NAGPUR RAILWAY, BOMBAY, BARODA AND CENTRAL INDIA RAILWAY, BURMA RAILWAYS ; BENGAL AND NORTH WESTERN RAILWAY, EASTERN BENGAL RAILWAY ; EAST INDIAN RAILWAY ; GREAT INDIAN PENINSULA RAILWAY ; NORTH WESTERN RAILWAY, MADRAS AND SOUTHERN MAHRATTA RAILWAY ; ROHILKHUND AND KUMAON RAILWAY, SOUTH INDIAN RAILWAY ; H. E. H. THE NIZAM'S STATE RAILWAY, AND THE MANAGER, JODHPUR RAILWAY, No 1444-W., DATED THE 10TH FEBRUARY 1936.

SUBJECT.—*Completion Reports.*

I am directed to bring to your notice that the Public Accounts Committee have recently had occasion to comment on the very large number of items of unsanctioned expenditure on Railways several of which have been outstanding over a period of years, and have enquired whether steps cannot be taken to assure a speedier regularisation of such expenditure.

2. The Railway Board observe that in the case of a large number of these items the expenditure is held under objection owing to the delay in the preparation of final completion reports for the works and that the delay is not confined to cases of new projects or large open line works but relates also to works of comparatively small magnitude.

3. I am, therefore, to request that necessary steps may be taken to impress on all departments the desirability of closing the accounts of individual works as soon as possible after completion, and preparing a final completion report immediately thereafter, for sanction by competent authority

4. In this connection I am to invite your attention to paragraphs 159 and 178 of the State Railway Code for the Engineering Department and to suggest that steps may be taken to avoid delays in the disposal of surplus and released materials, to which delays in the preparation of Completion Reports are attributable in the majority of cases. I am also to request that timely action may be taken for the settlement of other questions such as those of allocations and junction arrangements, etc

No. 1444-W.

Copy forwarded for information to the—

- (1) Chief Accounts Officers, North Western, East Indian, Eastern Bengal, Great Indian Peninsula and Burma Railways.
- (2) Controller of Railway Accounts.
- (3) Director of Railway Audit.

APPENDIX XVI.

Note by the Railway Board showing the ultimate savings likely to accrue when the revised scales of pay are fully operative.

At its last meeting the Public Accounts Committee desired to be furnished with a note showing the ultimate savings in the cost of railway staff that was likely to accrue when the revised scales of pay were fully operative.

2. A statement showing the savings in the cost of gazetted and non-gazetted staff accruing on State-owned railways when the revised scales of pay are fully operative is attached. It will be observed from this statement that the approximate anticipated savings in expenditure on these railways amount to Rs. 3,70,48,000 per annum

3. Another statement giving figures for similar savings in expenditure on staff employed in the Railway Board's office, Central Standards Office, Central Publicity Office, Offices of Government Inspectors and Chief Mining Engineer, in the Railway Accounts Department and the Railway Audit Department is also attached. The amount of approximate savings in respect of these offices amounts to Rs. 16,38,000 per annum

4. The total savings in the cost of staff chargeable to Railway Estimates, when the revised scales of pay are fully operative, would approximately amount to Rs. 3,86,86,000 per annum.

Statement showing the savings in the cost of gazetted and non-gazetted staff accruing on all State-owned Railways when the revised scales of pay are fully operative.

[Figures in thousands.].

Railways	Gazetted staff savings.	Non-gazetted staff savings.	Total savings	Remarks.
	Rs	Rs.	Rs	
E. I.	6,92	48,50	55,42	
E. B.	3,03	17,63	20,66	
G. I. P.	7,19	42,37	49,47	
N. W.	6,48	55,70	62,18	
Burma	2,53	16,67	19,20	
Total State Railways . .	26,06	180,87	206,93	
S. I.	2,53	14,93	17,46	
M. & S. M.	6,46	26,82	33,28	
B. N.	4,99	26,24	31,23	
A. B.	1,79	3,20	4,99	
B. & N. W.	1,20	3,44	4,64	Includes staff employed on Company-owned sections.
R. & K.	24	75	99	
B. B. & C. I.	11,32	59,64	70,96	
Total Company-owned Railways	23,53	1,35,02	1,63,55	
Total State and Company-owned Railways.	54,59	3,15,89	3,70,48	

Statement showing the savings in the cost of gazetted and non-gazetted staff in offices etc., shown below when the revised scale of pay are fully operative.

[Figures in thousands.]

Name of Office.	Gazetted staff savings.	Non- gazetted staff savings.	Total savings.	Remarks.
	Rs.	Rs.	Rs.	
Railway Board .	77	67	1,44	
Central Standards .	11	29	40	
Railway Accounts Department	2,32	7,60	9,92	
Central Publicity Officer ..	3	2	5	
Government Inspectors of Railways	34	3	37	
Chief Mining Engineer .	93	63	1,56	
Railway Audit Department ..	1,18	1,46	2,64	
Total ..	5,68	10,70	16,38	

APPENDIX XVII.

Note by the Railway Board on the arrangements for obtaining legal advice by Railways.

When discussing the case mentioned in paragraph 134 of the Railway Audit Report, 1935, in August last, the Public Accounts Committee desired to have a note showing the arrangements in force in various railways for obtaining competent legal advice. The replies received from the railway administrations show that the existing arrangements are adequate and satisfactory. Briefly they are as follows —

Assam Bengal Railway.—The Railway has retained a pleader in headquarters at Chittagong on a monthly retaining fee of Rs. 100. He conducts civil and criminal cases on behalf of the Railway at Chittagong. For drafting agreements, leases, contracts, etc., he is consulted and the fee payable is decided on the merits of each case.

For conducting cases outside Chittagong pleaders are engaged and paid at a daily rate.

Bombay, Baroda and Central India Railway.—In Bombay Messrs. Crawford, Bayley and Co. are the Company's Solicitors and their opinions are obtained on a wide variety of matters. In each case they charge for the opinion given according to the importance of the subject and the time taken on it. Their fees range from Rs. 15 to Rs. 60 per opinion.

The Company has also a senior counsel for conducting important cases and also on occasions for giving opinions. He is not paid a retainer, but charges fees.

In addition the company has a counsel for the Ahmedabad area and another for all legal work in the courts in Kathiawar. The former gets a small retaining fee and the latter gets a fixed monthly remuneration. At all other places, local pleaders are engaged, whenever necessary.

Bengal Nagpur Railway.—In Calcutta, the company utilises the services of the firm of Messrs. Orr Dignani and Co., Solicitors, for advice on all important matters where it is considered necessary to seek such advice. They have also engaged approved advocates and lawyers who conduct cases on behalf of the railway in almost all district courts and other important places in the provinces through which the railway system runs. It is the practice for all the district officers to consult these advocates and lawyers whenever occasion arises.

Burma Railways.—This railway is utilising the firm of Messrs. Clark and Surridge, Solicitors, to whom doubtful points of law are referred for opinion. Important law suits are conducted by the members of the firm, and important ones by local lawyers, whether in Rangoon or elsewhere.

Eastern Bengal Railway.—All cases requiring legal opinion are first of all sent to their Law Officers and on his advice, if the Agent thinks it necessary, a reference is made to the Legal Remembrancer or to the Government Solicitor. The Law Officer is paid a monthly salary of Rs. 500. He gives opinion on all

civil and criminal cases and also conducts the criminal cases in the Calcutta courts when required. He scrutinises and approves all draft agreements, licenses, leases, forms and other documents, whenever required. The Legal Remembrancer attends to all civil appeals in the High Court by or against the railway.

The Government Solicitors (Messrs. Sanderson and Co.) attend to the cases in the Small Causes Court and in the original side of the High Court at Calcutta.

No fee is paid either to the Legal Remembrancer or to the Government Pleaders, High Court, for consultation or for conducting cases.

North Western Railway—There is a separate Litigation Branch in the Headquarters office under the charge of an Assistant Commercial Officer who is a qualified lawyer. He advises in all cases involving legal technicalities, arranges conduct of court cases and deals with all matters relating to with which the railway is concerned.

Cases of importance involving intricate questions of law or affecting the policy of the railway, excluding those arising in Sind, Baluchistan and North-West Frontier Province are referred to the Legal Remembrancer to the Punjab Government for his opinion, and a monthly remuneration of Rs. 500 is paid to the Provincial Government for such services. There is a separate Legal Adviser at Karachi who advises the railway in matters relating to Sind and Baluchistan at a remuneration of Rs. 200 per mensem. References in connection with matters relating to the North-West Frontier Province being rare, the Local Government of that province has agreed to permit their Legal Remembrancer at Peshawar to advise the railway without any remuneration.

South Indian Railway.—All matters arising on the railway, where legal opinion is required, are referred to the Law Section in the Chief Commercial Superintendent's office. This section consists of a Prosecuting Inspector, who is a qualified legal man, and is supervised by an Assistant Traffic Superintendent who is also a qualified legal man. Cases which involve intricate questions of law or large sums of money are, however, referred to Messrs. King and Partidge, Solicitors, Madras, who are the Solicitors of the railway.

Bengal and North Western Railway—This railway retains two subsidised Law Officers; one the Senior Law Officer who is Bar-at-Law, and the other a vakil. The Senior Law Officer is paid Rs. 250 per mensem in lieu of fees for all cases civil and criminal—instituted in Gorakhpur Court. This includes opinions, drafting of deeds, etc., and also drafting of plaints and written statements and giving of advice in cases filed outside Gorakhpur; in fact everything save and except actual appearance in courts outside Gorakhpur. The Junior Law Officer is paid a monthly remuneration of Rs. 40 and his duty is to look after criminal cases of the railway instituted at Gorakhpur and to assist the Senior Law Officer.

Where necessary, Counsel's opinion or opinion of solicitors of high standing in Calcutta is taken by direct application to the authorities whose opinion it is desired to consult.

East Indian Railway—Matters requiring legal advice, which arise in the day-to-day administration of the railway and the number of which is considerable, are referred by the various departments situated at Calcutta and by the Divisional Superintendents direct to the railway vakil who is a wholetime law officer with his office at Calcutta and his advice in such matters is generally acted upon.

Matters of special importance involving important principles of intricate questions of law or heavy liability are, after consultation with the railway vakil, referred to the railway Solicitors for their opinion or for opinions of eminent Counsels, if necessary.

Rohilkhand and Kumaon Railway.—The railway retains a vakil at Bareilly as its Law Officer by payment of Rs. 40 per mensem. This retaining fee is inclusive of charges for opinions, drafting of deeds, etc., in fact everything save and except actual appearance in Courts outside Bareilly. Where necessary Counsel's opinion or the opinion of Solicitors of high standing in Calcutta is taken by direct application to the authorities whose opinion it is desired to consult.

Madras and Southern Mahratta Railway.—All important legal work is conducted by the Company's Solicitors, Messrs. King and Partridge. The fees depend on the importance of the case concerned.

Great Indian Peninsula Railway.—Generally when this railway requires legal advice on any matter, a reference is made to their Solicitors, Messrs. Little and Co., Bombay. When the matter is considered by the Solicitors to be of sufficient importance to justify the obtaining of Counsel's opinion, it is generally obtained from the Advocate General, Bombay.

In minor cases local pleaders are engaged.

2. The replies from railway administrations also indicate that important contracts are entered into only after their legal advisers are consulted and have approved of the draft.

APPENDIX XVIII.

Note by the Railway Board explaining the reasons for the excess of Rs. 10 lakhs over the sanctioned estimate for the development of Jarandih colliery.

The excess is mainly due to the fact that an unexpected charge of about Rs. 11½ lakhs representing the difference between the market value and actual cost of production of coal during the development period 1926-27 to 1933-34 was debited to this project in 1933-34. It was first intended that the coal raised during the development period would be issued at actual cost of production, but it was subsequently decided that the correct method to follow was to charge the railways to which the coal was issued only at market rates and leave the difference to be borne by the capital account of the colliery.

The reason for this decision was that during the period of development of a colliery, most of the coal extracted was more or less of the nature of a by-product as it was an incidental result of the necessity of making passages in the colliery to develop it. If the coal thus obtained had been sold to the public, it would have been sold at market price, and the receipts thereof taken as a credit to the capital account, and the total cost of development charged to capital. It will thus be seen that the excess does not represent any additional works carried out without sanction of competent authority.

APPENDIX XIX.

Further memorandum by the Railway Board on the financial results of the electrification of the South Indian railway in Madras.

The Railway Board deeply regret that through an oversight there was a serious mistake in their report to the Public Accounts Committee on the financial results of the electrification of the South Indian Railway in Madras, and they feel they owe an apology to the Committee for the inaccurate information which was supplied to them.

2. In showing the outlay on the electrification to the end of 1934-35 as 74.33 lakhs, the South Indian Railway had already deducted the cost of automatic signalling and quarters required for operating staff, which amounted to 12.58 lakhs. Without this deduction the total cost would have come to 86.91 lakhs, including 15.45 lakhs of expenditure incurred after the scheme was completed, *viz.*—

on electrical locomotives for goods service in 1932-33	..	5.06
additional electric passenger coaches with trailers	..	10.15
and other works in 1933-34		
additional works carried out in 1934-35	..	..
		.24

The total gross cost was thus nearly 87 instead of 74 lakhs.

3. In the report originally furnished to the Committee, a deduction of 15 lakhs was made on account of that part of the cost which was originally considered to be part of the improvement scheme, and which was finally debited to the electrification scheme. This amount was made up of the 12½ lakhs referred to above, and of 2½ lakhs on account of electric lighting at stations. In making this deduction, however, the gross cost should have been taken as 87 lakhs and not as 74 lakhs. The reduced outlay would thus be 72 lakhs and not 59 lakhs as originally reported. This figure differs little from the figure of 74 lakhs taken in the statement as the gross outlay and the return can be taken to be as shown in paragraph 2 and not as shown in paragraph 4 of the memorandum.

4. In addition to the reasons for the excess in cost given in paragraph 5 of the report should be added the last two of the works referred to in paragraph 2 above which were constructed after 1932-33 and cost nearly 10½ lakhs. Neither these nor the goods locos bought in 1932-33 costing 5 lakhs were included in the original estimate.

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OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1934-35

Volume II—Evidence

Part II—Railways.



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**Evidence taken at the third meeting of the Public Accounts Committee
held on Monday, the 20th July 1936, at 11 a.m.**

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., *Chairman.*
Finance Member,

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N G RANGA, M.L.A.

Dr THEIN MAUNG, M.L.A.

Mr J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt, M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A. *Members.*

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt,
C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General. *Were also
present.*

Mr. B. N. MITRA, Director of Railway Audit

Mr. P. R. RAU, Financial Commissioner, Rail-
ways.

Mr V. S. SUNDARAM, Controller, Railway
Accounts *Witnesses.*

Khan Bahadur BARKAT ALI, Director of Finance

Chairman.—Mr. Rau, we have more or less tried to divide up the subjects on which the Committee would like to ask you some questions,—(1) the general financial position as set out in your Report including the measures taken to ameliorate it, (2) accuracy of estimating, (3) your memorandum on the freight policy, (4) the accounting changes and (5) some points of detail. We will take the financial position first. I think it is fairly summarised in your Report, and that without making any provision for betterment or amortisation of capital your deficit is somewhere near four crores at present. I think the mileage has increased by something like 17 per cent., capitalisation, as far as my memory goes, something like 79 per cent, the number of people employed has increased, and the cost of the people employed by about 150 per cent. I think the Committee would like to ask you in general terms whether you see any prospects of natural improvement, and secondly what measures, since we last raised this subject, have actually been taken by the Agents of Railways or by the Railway Board for amelioration. I think we might let Mr. Rau develop his answer to these questions in his own way.

Mr. Rau.—I could say something in a general way, but if you are having Sir Guthrie Russell also, I do not know if you would wish to postpone the discussion on the general position till to-morrow.

Chairman.—Let us have a general statement from you. If necessary, the Committee will ask a few questions from Sir Guthrie Russell.

Mr. Rau.—I think probably the best way I could begin the subject is by telling you something about the results of the current year. So far as the receipts go, for the first three months of the year, we are about 70 lakhs above last year. We have provided in our estimates for an increase of 60 lakhs. As a matter of fact the budget estimate was 125 lakhs over our revised estimates, but the actual receipts were 65 lakhs above our revised estimates, and that means we have to get only 60 lakhs more than last year to reach our estimates. In the first quarter we have got 70 lakhs.

Mr. Satyamurti.—Is there any exceptional circumstance for it?

Mr. Rau.—A large part of the increase in April was due to a carry forward from last year. Cotton was late in moving and we got our receipts later than usual. As regards expenditure, we have figures for the first two months of the year and they show an increase of 18 lakhs. Out of these 18 lakhs about 11 lakhs is due to the fact that some payments were made earlier than usual, so that the real increase in expenditure is 7 lakhs and our budget figure for the whole year is 45 lakhs over last year. So it does not look at the present moment that our budget figure with regard to expenses is going to be exceeded. As regards receipts, it is very difficult to say. For instance, our revised estimates for 1935-36 were only 90 crores, but we got 90.65 crores. In the last twenty days of March we have got 60 lakhs more than in the previous year. So far as that goes, therefore, all I can say at present is that it looks as if our anticipations of a deficit of $3\frac{1}{2}$ crores will probably be better; we shall not have such a large deficit. On the other hand we shall be 45 lakhs worse off as a result of the changes we are proposing on the whole, I think we may be a crore better. Sir Guthrie Russell and myself are proposing to go round at the end of this week and see the Railway Administrations to discuss the capital programme for next year. We have already written to them to say that we propose to discuss with them both their expenditure and revenue position, because we expected that we should get at least about 10 or 15 lakhs a month more than last year owing to the various alterations in fares we have made, and it does not look as if we are going to get all that. We have also written to the Agents saying that we want to discuss with them further the question as to what they can do with regard to reduction in expenditure. You must have seen in the papers that the All-India Railwaymen's Federation who met us at the beginning of this month wanted that we should give up all our retrenchment schemes, and they are threatening a strike. I do not really believe it will materialise, but still that shows the strength of the opposition we have to meet in the case of reduction of expenditure.

Chairman.—What actual measures have been undertaken by the Agents since last year?

Mr. Rau.—Mostly they have been in the direction of trying to increase revenue, and to a certain extent in every railway administration they have been continuing what they call job analysis by which a special

establishment goes round examining each department or office or workshop and trying to pick out wherever possible any savings, but most of the savings in the long run come out of a reduction in staff. The North-Western Railway told us towards the beginning of the year that they had about 3,000 people surplus, but they have tried to accommodate them by putting them in lower posts. I think their latest estimate is they have got only 600 surplus for discharge. I think I circulated to the Committee a statement last year showing what the organisation branches have estimated as having been saved in 1934-35. Some Railways have told us,—we have not got complete information,—that they have been able to achieve further savings in 1935-36.

Mr. Satyamurti.—Now, since we last met, can you tell us what is the total value of the savings in working expenses of all the Railways put together?

Mr. Rau.—I am afraid I have not got complete information for all the Railways. I have information only about certain Railways and they have told us that in 1935-36 their job analyses have resulted in a saving. I shall circulate that to the Committee to-morrow morning.

Chairman.—Job analysis produces savings of a minor order.

Mr. Satyamurti.—I am thinking of big savings that the Railways have effected.

Mr. Rau.—Last year I think I said that at the utmost we could get about a crore out of this, but we are gradually getting rid of our surplus staff. I can let the Committee know to-morrow the information we have about 1935-36 in the direction of savings.

Mr. Satyamurti.—Can you give this Committee any idea of the proposals which are under contemplation or which have been given effect to by way of increasing the revenues?

Mr. Rau.—I think we mentioned it in our budget memorandum. Our total increase was expected to be about 1½ crores gross. They are mostly due to alteration in fares and not due to any increase in traffic, and so they must be taken as net. Then again there are proposals made by the Railway Conference Association to increase the classification of a certain number of commodities like piece-goods and sugar, to which there has been a lot of objection, and we propose to discuss this question with the Agents and to find out what they expect to get by such increase. After all, in the case of articles like piece-goods and sugar, we cannot afford the risk of raising the freight and losing the traffic on account of motor competition. Then again last year, I think, the Conference changed the classification from 10 classes to 16 classes by interpolating some classes in between. They are also considering proposals for alteration in classification of about 200 commodities,—they are all of minor importance,—but the most important are these five, to which we have not yet definitely given our sanction. The approval of the Railway Board is only required with regard to maxima and minima, and the Agents are empowered to put in any rate they like but the immediate result of our approving a higher classification is that, in cases where there is no special rate, the goods are carried according to the ordinary classification rate. Before we agree to an increase, we want to know definitely the advantage the Railways expect to derive from this.

Mr. Satyamurti.—What is your estimate of the betterment on the whole ?

Mr. Rau.—In 1936-37, as I told you, the betterment should be about a crore.

Mr. Satyamurti.—Now, I want to ask you something about the writing down of capital. Look at page 30 of your Review. What do you mean by paragraph one at the bottom of page 30 ? Is it the case that besides what the Railways pay as interest charges the general revenues also pay a certain portion ?

Mr. Rau.—What happened was that up to 1923-24 the Railways were every year repaying a part of the debt. They were paying about 3½ millions every year. That was in the shape of annuities including both capital and interest. So by each payment they paid the interest and also a portion of the capital. Government decided that that debt of about 60 million pounds should be taken finally as a debt from Railways and the general revenues would take over the responsibility of paying the annuities.

Mr. Satyamurti.—To-day the Railways actually pay 2 million pounds ?

Mr. Rau.—They pay the full interest or the interest portion of the capital on the annuities at that time. The general revenues go on paying part of the capital but still the interest paid by Railways remains unaltered.

Mr. Satyamurti.—The general revenues are paying to the tune of one million which the Railways should pay ?

Mr. Rau.—No. What happens is that originally Railways were paying interest and part of the capital every year, but since 1923-24, Railways don't repay any part of the capital, but pay only interest on the full capital outstanding.

Mr. Satyamurti.—But for years you are saving ?

Mr. Rau.—No. The capital remains unaltered instead of being reduced from year to year. We pay the full amount of interest on the capital as it existed in 1923-24.

Mr. Satyamurti.—Do general revenues get the saving in the interest charges ?

Mr. Rau.—Yes.

Mr. Satyamurti.—So in the net result we do not suffer ?

Mr. Rau.—No.

Chairman.—As the Auditor-General pointed out, we discovered that the 3 crores sinking fund was not adequate to pay out of revenue the whole of this liability so that we are ourselves borrowing a part of it.

Mr. Rau.—At the beginning of 1924-25 the total debt was about 66 million pounds. Out of this the general revenues have repaid 19 million pounds. Their debt to the public is 47 million pounds, while our debt to the Government of India is 66 million pounds, and we are paying interest on the latter.

Mr. Satyamurti.—I take it that all these interest charges are there and by writing down any of the capital you won't save anything ?

Mr. Rau—The Government of India as a whole will not save anything. If Railways have to pay less, the general revenues will have to pay more. As regards losses from Railways from the beginning, I think if you don't take interest into account, up to the current year from the beginning the general revenues received 55 crores. If you take compound interest into account say at the rate of $3\frac{1}{2}$ per cent. which is, I think, a fair rate, for the whole period, the accumulated loss up to the end of 1923-24 was 184 crores.

Mr. Satyamurti.—Before the convention you owed us a lot of money ?

Mr. Rau—I do not know how it would strike an impartial arbitrator. For instance, but this is a matter which Sir Guthrie Russell could elaborate at greater length than I can, the Railways can claim you must also take into account the indirect advantages to the country by the opening up of the country. In the earlier years the Railways were not treated really as a purely money-making proposition at all.

Mr. Satyamurti.—No doubt you and I are agreed that writing down is nonsense. It may benefit you on paper but the taxpayer will have to pay all the same.

Mr. Rau—Looking at it from the point of view of the Government of India as a whole or India as a whole, writing down has no real effect.

Mr. Satyamurti—Is there any possibility of doing this ? At page 31, you say, "But any immediate and large savings in interest by replacement of railway debt at lower rates of interest can only be obtained by compulsory repayment of loans before they can be terminated." Is there any possibility of conversion operations by offering premium to these people at the present rates of interest ?

Chairman—If you divide the thing into two bits, if you have got a loan outstanding which is a comparatively distant maturity, say, 5, 6, 7 or 8 years and it is bearing a rate of interest well above the current market rate, there is not the slightest chance of any conversion of such a loan. But what you might do and what you could at times when the trend of interest rates is ripe, if you have got comparatively near maturities, say, one, two or three years, and if people are expecting interest rates generally to move downwards, it may arouse a possibility of premature conversion before the actual maturity date. But those possibilities are confined to near maturities and are absolutely dependent upon an expectation in the public mind that the interest rates are going downwards and are going to continue to do so for some time to come.

Mr. Satyamurti.—Is that not the position to-day ?

Chairman.—Barring accidents, I should have thought it was for the next year or eighteen months ; over three years, I should have thought not. Compulsory repayment of loans, before they can be terminated, you cannot do. Take, for instance, we have lent money to the Provinces and they are repaying, say, at an average rate of 4 or $4\frac{1}{2}$ per cent. We are paying $4\frac{1}{2}$ per cent. to the market. If they repay now to us, we shall be losing $4\frac{1}{2}$ per cent. and we can only employ our money under something like three per cent.

Mr. Satyamurti—Is there any possibility now of our getting anything by way of reduced interest charges ?

Chairman.—It is constantly going on,—for instance 16 millions of sterling loan which carried $5\frac{1}{2}$ per cent. are now replaced by $2\frac{3}{4}$ per cent rupee debt. It is in fact equivalent to a conversion and the effect of that operation will be felt in the railway interest charges. They have come down in five years—the average rate from 5.65 to 4.9. Generally speaking, if we see a chance of converting before maturity, and if the conditions are ripe for that, I can assure you that we watch the situation and that when it arises it will be seized.

Mr. Satyamurti.—I take it that all Government debt is common debt, there is no such thing as railway debt and non-railway debt. Then how can you apportion the benefit to the Railways when you get conversion operations?

Chairman.—What happens is that most of the railway debt is earmarked as being the proceeds of specific loans.

Mr. Rau.—It is only on 300 crores that the amount of interest is changeable from year to year.

Mr. Satyamurti.—Whatever benefit you get out of the Government of India loan operations by way of a reduction in interest rates....

Chairman.—Is passed on automatically to the Railways.

Mr. Ramsay Scott.—There is a specific debt of 184 crores that is borrowed at rates of interest which are specified here.

Mr. Rau.—That comes roughly to about $3\frac{1}{2}$ per cent or something like that.

Mr. Ramsay Scott.—That cannot be changed?

Mr. Rau.—No.

Mr. Ramsay Scott.—But the other items of 274 and 297 crores?

Mr. Rau.—These, of course, are monies which Railways owe to the Government of India, and if the Government of India are prepared to reduce the rates of interest, then Railways would get a benefit.

Chairman.—(To Mr. Satyamurti). The Railways have got a permanent non-terminable debt at $3\frac{1}{4}$ per cent., and the Government of India's non-terminable debt, $3\frac{1}{2}$ paper, is standing at par, and the Government of India is losing $\frac{1}{4}$ per cent. on the whole of that.

Mr. Satyamurti.—We cannot expect any appreciable benefit to the Railways by a reduction of interest charges immediately?

Mr. Rau.—We stand or fall with the Government of India.

Mr. Satyamurti.—For calculating the future financial position of the Railways we cannot make much allowance for interest?

Chairman.—A few tens of lakhs a year.

Mr. Rau.—Between 1934-35 and 35-36 we dropped about half a crore. in the preceding year about $\frac{1}{2}$ crore.

Mr. Satyamurti.—Between you and the Finance Member can you give an idea roughly of the credit we can give to ourselves in assessing the financial position of the Railways by way of reduction of interest charges?

Mr. Rau.—As I said here, this process must continue, in the absence of any specially unfavourable circumstances, such as a big war raising the general rate of interest everywhere. If you can ensure against a big war and so on, you can say roughly it would fall at about Rs 30 lakhs a year ; that is, subject to any unforeseen contingencies.

Mr. Satyamurti.—If you come to paragraph 120 of your Report I think the Finance Member and the Auditor-General will bear me out when I say that these proposals are generally acceptable to both Government and the Auditor-General.

Chairman.—The Auditor-General at one time was a little inclined to think that it was not worth taking two bites at the cherry .

Mr. Satyamurti.—If you look, at paragraph 6 of the Auditor-General's letter, at page 2, it says, " The only comments I desire to make here are, (a) that as practical financial measures the proposals of Government are undoubtedly sound, (b) that they will simplify work both in administration and accounts offices, and (c) that while not inconsistent with the letter of the Railway Separation Convention of 1924, they depart from the basis on which that convention was settled, and for this reason I required, Government agreeing, that they should be laid before the Public Accounts Committee and explained to the Legislative Assembly ' I take it therefore that the Government and the Auditor-General generally approve of your proposals. You give the financial effect of them in paragraph 121, and you summarise, " The gap between revenue and expenditure in the widest sense would be 11 crores in 1934-35 and 10½ crores in 1936-37 " I take it you make allowance for everything. Although the Finance Member does not agree with me—I am not discussing the merits of the question,—I merely want to know what, from the accounts point of view, is the monetary value of the loss as it is called on strategic lines in relation to the military. 2½ crores "

Mr. Rau.—The loss on the strategic Railways is roughly on an average about 2 crores

Mr. Satyamurti.—And the concessions to the military, about 55 lakhs ?

Mr. Rau.—But it is not as if, if we charged them public fares, we would get that 55 lakhs

Mr. Satyamurti.—If you make an allowance for that, what will you get ?

Mr. Rau.—We may not get that. It is very difficult to say.

Mr. Satyamurti.—You would not give the Railways any credit for military concessions ?

Mr. Rau.—If you want the difference between the public rates and the rates we actually charge the military, it may be taken at 55 lakhs, but there is no certainty that that traffic will bear the public rates and if you lose that traffic it might be possible that you might lose all these 55 lakhs. I do not know how much, but we might lose quite a lot of it.

Mr. Satyamurti.—I am now referring to the Railway Board's note on the various concessions, you have given us a long and informative

note. You classify these concessions. Can you make, to-day, or later some time before we rise, a calculation of the value of these concessions put together on any basis which you consider as reasonable, making allowance for diversion of traffic, for loss and so on and so forth—I am merely trying to get a fair financial picture of the Railways

Mr. Rau—It is a very difficult thing, and it is quite likely that two people working on the same data given here might come to widely different conclusions. I do not think it is any use my trying to give a personal opinion on this matter. I could not do it offhand.

Chairman.—As I understand it, the ideal to aim at is something like 10½ or 11 crores better than the present position. Even taking into account all the concessions the Railways make, what is the net real deficit even on the most favourable calculations that you can yourself make? That is what Mr Satyamurti is trying to get at.

Mr. Rau.—It is absolutely impossible to say what annual improvements in receipts you can effect. We dropped in receipts from 102 to 95 crores in one year and then again to 86 crores, so that in two years we dropped 16 crores, and it is quite possible we might go up rapidly.

Chairman.—May we take it at a crore a year? But that is not net because, ultimately if not immediately, further wagons, further staff will have to be got to handle the traffic, and if the ordinary operating ratio continues, it will be something between the complete value of a crore a year and 30 lakhs.

Mr. Rau.—A net increase of a crore a year seems to be not over-optimistic. We can carry small increments of traffic without much additional expense.

Chairman.—In the first year it may be a crore, in the second year it may be a crore, but afterwards you will have to make some provision for increased costs, and the actual gain from an increase in traffic of a crore a year will be between a full crore and 30 lakhs. If you take it halfway, 60 lakhs a year is your net gain from increased traffic on the present traffic rate of increase which assumes no intensification of economic revival.

Mr. Satyamurti.—I am quite prepared to go further and assume you get a net increase of a crore a year. In order to make up this gap of 10½ or 11 crores, you have got to find, besides the increase at the rate of a crore a year—on the revenue side you have got to find 3 or 4 crores by way of saving in expenses if at any time within the next 3, 4 or 5 years the Railways are to be in anything like a decent financial position apart from making any profits. You have got to make savings to the extent of 3 or 4 crores in the working expenses. We have exhausted all possibilities of increased traffic, increased income, saving of interest charges, and various other factors, and what remains is retrenchment, and have you thought over the matter and may I know what your ideas are?

Mr. Rau.—I would prefer that you examined Sir Guthrie Russell along with me on that point because I cannot commit the Railway Board to anything I may say.

Mr. Satyamurti.—Have you made a careful calculation of how much you can save on higher salaries? In 1913-14 your wage bill was 14 crores.

Mr. Rau.—I have got all the figures here at page 6, and for each Railway too.

Mr. Satyamurti.—It has gone from 13.62 to 32.57 and now it is 35 crores. On page 7 the only thing you can say is, "The cost of staff in all departments of Government was increased considerably."

Mr. Rau.—That is all due to post-war conditions.

Mr. Satyamurti.—You gave them an increase for increased cost of living and you did not provide for a decrease when the cost of living went down. Apart from touching those people for whom Prof. Ranga and Mr. Jammadas Mehta speak, are there any other means of finding these 3 or 4 crores?

Mr. Rau.—Our last cut was a graduated cut to some extent and that brought us two crores. It was 10 per cent. on every salary above ₹1,000 a year, then 6½ per cent. between 30 and 83½ per month and 3½ per cent. below 30 per month. That was the cut imposed.

Chairman.—What about foremen?

Mr. Rau.—Nobody was exempted.

Mr. Ramsay Scott.—A full 10 per cent. would give you 3½ crores and a graduated cut 1.98 crores.

Chairman.—Supposing you left out the lower paid people up to a thousand a year, what is the amount of saving?

Mr. Rau.—I can tell you in the afternoon. I have certain figures worked out, showing the salaries drawn by people in different grades.

Mr. Satyamurti.—Supposing you start with 10 per cent. and go up to 25 per cent., how much will you get?

Mr. Rau.—The Retrenchment Committee suggested a cut which was also expected to amount to about 2 crores, but that cut was graduated. For the first 30, 3½ per cent., the next Rs. 70, 6½ per cent. the next Rs. 400, 7½ per cent. the next Rs. 1,000, 10 per cent., the next is Rs. 1,500, 15 per cent. and the remainder 20 per cent.

Chairman.—If you omit the first two, how much will it give?

Mr. Rau.—I shall have to work it out.

Mr. Satyamurti.—Supposing there is no cut on salaries below Rs. 1,000 a year, and the cut goes on from 10 to 25 per cent. in some graduated scale on salaries above that amount, I should like to know the amount you can save.

Chairman.—The Rs. 83 a month class is almost entirely clerical?

Mr. Rau.—Yes. The average workshop labourer is probably between Rs. 30 and 50 I should say.

Mr. Satyamurti.—So that the bulk of the labourers would not have any reduction by this cut.

Mr. Rau.—If you do not have a reduction on lower wages you would not gain very much by cuts unless the cut on the higher salaries is very steep.

Mr. Das.—While you give this information, may I know also the amount of saving if you have a cut on everybody above Rs. 30 ?

Mr. Ramsay Scott.—You are employing about 22 men per mile whereas 20 years ago you only employed 19 men, and it looks to me as if you have got 100,000 men surplus. Have you considered whether you are over-staffed, and if so, by what number ?

Mr. Rau.—There, again, it is a question of opinion. We got rid of 50,000 men between 1931-32 and 1933-34. In 1929-30 we had about 60,000 men, open line, and in 1934-35 it came down to 46,000, that is, a fall of about 14,000 men.

Mr. Ramsay Scott.—You are now going up again.

Mr. Rau.—There was an increase of 3,000 on all class I Railways between 1933-34 and 1934-35.

Mr. Satyamurti.—Is there any automatic examination of this question of adequate, over-staffed, and under-staffed ?

Mr. Rau.—That is what the job analysis people are supposed to do.

Mr. Satyamurti.—When was the question last examined from a comprehensive point of view ?

Mr. Rau.—Continuously in 1931-32. We have recently again taken up the question and asked the Railways what exactly are their surpluses so that we can get rid of the surplus.

Mr. Ramsay Scott.—Can you give me any reason why there should be that big increase per mile between that period ?

Mr. Rau.—I am afraid I could not say anything as to what happened in 1913-14.

Mr. Ramsay Scott.—It looks as if the Railways are less efficient now and therefore you want more men.

Chairman.—Hours of employment regulations.

Mr. Rau.—Hours of employment regulations for one thing. If you want to improve the efficiency of railway working, it requires in many cases more staff. For instance, you can have a certain number of gangmen per mile to maintain the permanent way, but very often it happens if you want to get to a higher level of efficiency, you have to employ more men for that particular section. Sir Guthrie Russell will be able to tell you more definitely about it.

Mr. Ramsay Scott.—Have you any figures of the surplus men on the Railways ?

Mr. Rau.—We have got some information from the State-managed Railways and I can give you those figures.

Mr. Satyamurti.—Has the time arrived for an examination of the whole question whether the Railways are over-staffed or not by an expert committee or enquiry, from top to bottom ?

Mr. Rau.—The last examination was made by Mr. Pope and some Deputy Agents of State-managed Railways. That was in 1932-33.

Prof. Ranga—If you look at this table in Annexure F, page 66, you will find that in 1929-30 you had 784,000 people, and now you have got 670,000. Does that prove you are over-staffed ?

Mr. Rau.—It probably proves that they were over-staffed in 1929-30 but the traffic has fallen since then.

Prof. Ranga.—In 1930-31 it was reduced by 40,000. But you have increased your total mileage since then

Mr. Rau—Since 1929-30, not very much, you will find the figures here in column 1, about 700 miles. The work to be done on railways is not entirely dependent on mileage, it depends on traffic, and traffic has fallen considerably

Chairman.—You have gone down 114,000 in staff between 1929-30 and 1934-35, that is, 15 per cent. What is the decrease in traffic between those two years ?

Mr. Rau—We have got the figures of tons carried of goods, traffic it was 113 millions in 1929-30 and 107 millions in 1934-35, a fall of 6 per cent

Chairman—What about ton miles ?

Mr. Rau.—That is item No. 16—21,625 to 20,091 millions, that is a fall of 7 per cent. The number of passengers has fallen from 623 to 486, that is about 20 per cent

Chairman.—The nearest joint criterion is gross earnings. If you take the gross earnings per mean mile worked per week, what is the position ?

Mr. Rau.—From Rs. 569 to 488, that is, between 14 and 15 per cent

Chairman.—So that the reduction in staff is not very incommensurate with the reduction in traffic.

Mr. Rau.—Yes. But the cost of staff has not fallen in the same proportion.

Prof. Ranga.—Last year it was admitted by the acting Chief Commissioner that the reduction of staff was made more from the ranks than from the higher grades, and that 160,000 of the lower people were retrenched whereas there was not even a corresponding amount of retrenchment in the case of the higher staff

Mr. Rau—From the administrative point of view, it does not pay to cut down your supervision when your earnings are falling ; you want more people to supervise the work

Prof. Ranga.—With regard to the gang workers, for instance, there could not be any reduction in their case ?

Mr. Rau.—We have tried to reduce the number of people required to maintain a certain length of line ; in the old days they were unnecessarily extravagant with regard to the number of people required for maintenance

Mr. Satyamurti.—I suggest that some Committee, expert or otherwise, should go into the question of the adequacy of the various status in various grades to find out whether in any grade there is an excessive staff and if so whether it can be reduced without loss of efficiency.

Mr. Rau.—The Railways have been doing it especially since 1931-32 and they have been going very carefully into that

Mr. Satyamurti.—We want some independent Committee ; the Railways are the last people to advise.

Mr. Rau.—Perhaps you will consult Sir Guthrie Russell with regard to that

Mr. Ramsay Scott.—I suppose, in this reduction of tonnage, the export tonnage is about the same ; although the value is very much decreased, the export tonnage is probably about the same but your import tonnage is probably down ?

Mr. Rau.—I will get you the figures for 1929-30.

Chairman.—I imagine the exports from India have diminished in value something like 150 crores, that is, by 50 per cent., but prices have gone down to about 40 per cent. , the volume of exports has not gone down as much as prices.

Mr. Rau.—I will get the average price levels both for exports and imports for 1929-30 and 1934-35. We can give the ton mileage for 1929-30 but not separately for export trade.

Mr. Satyamurti.—Apart from the suggestions with regard to a cut in salaries and the question of the examination of over-staffing, are there any other directions in which we can hope for economy ?

Mr. Rau.—The only other direction is the question of the prices of material, and prices are more likely to go up than down. Take coal. There are proposals for the conservation of coal which will probably increase the cost of extraction, and the coal bill will probably come to more.

Mr. Satyamurti.—There are no other major heads ?

Mr. Rau.—No.

Sir Mohammad Yakub.—Have you considered the question of the withdrawal of railway concessions ?

Mr. Rau.—We circulated a memorandum with regard to the concessions.

Sir Mohammad Yakub.—I refer to the passes to all your retired servants and their families.

Mr. Rau.—The present rule is I think that they get two passes a year.

Sir Mohammad Yakub.—Will you kindly let us know how much we pay out in the shape of these passes ?

Mr. Rau.—I wonder if there are figures

Prof. Ranga.—Have you come to any decision as regards the strategic lines ?

Chairman.—There is a note on that. The result of the old convention was that, if and when the Railways were paying, they reduced their contribution by the loss on the strategic lines, in other words, when the Railways were prosperous, they were relieved of the cost of the strategic lines. The contribution was one per cent, but now it makes no difference to anybody; now the Railways are losing. Thus, if you charge the military and the Post Office more, it merely involves another charge on the central budget which does not do anybody any good, it involves increased taxation.

Mr. Satyamurti.—The Assembly gave the definition of strategic lines in September 1924 thus

“ The interest on the capital at charge of and the loss in working of strategic lines shall be borne by general revenues ”

What the Government of India meant then, I am prepared to abide by that

Chairman.—There is the qualification, “ when the Railways are making a profit ”.

Mr. Satyamurti.—We lose two crores over it

Chairman.—The Railways are meeting their deficits not from the central exchequer but by borrowing from their Depreciation Fund. If you get to the stage when the Depreciation Fund is reduced to zero, and the only source of the deficits of the Railways is general revenues, it makes no difference.

Mr. Satyamurti.—At the moment it means the central budget is two crores a year worse off.

Mr. Rau.—As regards this Depreciation Fund, in 1935-36, though our deficits were four crores, we did not reduce our Depreciation Fund balance; it still stands at 9½ crores

Chairman.—Well, the big period of replacement is not coming yet; and if you merely say that you are neither adding to or taking away from the Fund, that is not a very effective argument.

Mr. Rau.—I was trying to meet the argument that in two years we shall have no Depreciation Fund left at this rate

Prof. Ranga.—We should be in a position to say how far and to what extent we are losing commercially on these railway lines and to what extent, in order to make good that loss, we have to cut down our staff, and, if so, which portion of the staff.

Chairman.—That is precisely the set of figures Mr. Satyamurti has asked for.

Prof. Ranga.—I want information at least as regards the reduction that has been made since 1929 in the superior and in the lower staff, and the cost also.

Sir Mohammad Yakub.—You have got different grades of salaries for different services; thus you have got, A, B and C guards. Can you give some figures to show how much saving would be effected if all men performing the same duties were placed in the same scale.

Mr. Rau.—Those grades are only methods of remunerating employees.

Sir Mohammad Yakub.—Would it not be better if you were to employ all of them on C grade to start with, and do away with the A and B gradations ? At present in certain cases you employ men directly in grade B

Mr. Rau.—That is very unusual now-a-days. However, this is a matter for Sir Guthrie Russell.

Sir Mohammad Yakub.—Have you considered the question of employing the system of mechanical accounting ? I asked the military authorities and they said they were employing a system of accounts and they got results much sooner and more economically by means of a reduction of staff.

Mr. Rau.—Our experience of mechanical accounting has not been so favourable.

Mr. Das.—When you give this retrenchment of hands from 1929-30, will you also please indicate how many of them were temporary hands ?

Mr. Rau.—I am not sure whether we have got the information ready. In 1929-30 our construction staff was 15,000 ; in 1934-35 it came down to less than a thousand, that is, for temporary construction staff. As regards permanent open line staff, it came down from 759,000 to 640,000,—that is the measure of retrenchment—partly due to the fall in traffic.

Mr. Satyamurti.—Paragraph 120, it says that the full cost of replacement should be charged to the Depreciation Fund and the balance to capital. What does that exactly mean ?

Chairman.—The improvement element in any renewal should be charged to capital. That really is rather unduly lenient from the point of view of strict commercial accounting. Minor improvements ought certainly to be charged to revenue. That is the modern practice. Is not that so ?

Sir Ernest Burdon.—Yes.

Chairman.—Supposing you have got a railway engine costing a lakh. The cost of that railway engine at present-day prices is a lakh and a half. Supposing you buy an improved engine which costs a lakh and three quarters. Under the old plan a lakh was charged to Depreciation and three-quarters to capital. Under the new plan a lakh and a half will be charged to Depreciation and a quarter of a lakh to capital. On a strict commercial basis the whole lakh and three-quarters ought to be charged to Depreciation.

Mr. Satyamurti.—Paragraph 121. First sub-paragraph. You say that during the year they were higher than 1/60th ?

Mr. Rau.—By about half a crore.

Mr. Satyamurti.—Under your scheme it will be 1/60th plus 60 lakhs.

Mr. Rau.—It would be 1/6th, but the exact effect of these proposals is explained in paragraph 104.

Chairman.—Now, we will go on to the question of control and accounting. Paragraph 4 of the Auditor-General's letter.

Mr. Satyamurti.—It is in paragraph 6 of the Audit Report that you notice these defects in budgeting. I should like to remind Mr. Rau of what we said last year in our Report. If you will turn to the Audit Report issued by the Director of Railway Audit you will find from paragraphs 6 to 13 that the same defects have been perpetrated and in some cases in a worst form. Take, for example, paragraph 6 where it is said that the emergency reduction from pay in most of the grants has not been quite accurate.

Mr. Rau.—The difference is $1\frac{1}{2}$ per cent. Our estimate was 100 lakhs and the actuals are 98½ lakhs.

Mr. Satyamurti.—Do you think it is inevitable?

Mr. Rau.—I should say it is excusable.

Mr. Satyamurti.—Are you making any attempts to improve the estimating?

Mr. Rau.—We are trying our best. These estimates were made by the Railway Board on the information available at the time. When you go on retrenching the staff, you do not know who will be left and what will be the ultimate effect.

Mr. Satyamurti.—Don't you make up your mind at least one year in advance about these things?

Mr. Rau.—Seeing the number of staff involved, I do not think the difference of a lakh and a half in an expenditure of 100 lakhs is very serious.

Mr. Satyamurti.—Anyhow, you are attending to it and hope to improve matters?

Mr. Rau.—Yes.

Prof. Ranga.—May I invite your attention to paragraph 7 regarding the Madras and Southern Mahratta Railway?

Mr. Rau.—I agree that it is a bad case.

Mr. Satyamurti.—Paragraph 8. Provident Fund gratuities. Whenever the Agents are asked they say that the Railway Board has cut down this Fund. Is the Railway Board taking any steps to tell these gentlemen that the Railway Board cuts it and the Assembly votes it?

Chairman.—May I ask a question about this? If you make a cut under demands which you have got to pay, then you have no control over them. In that case it behoves you to make the cut properly. There are some cases where you can obviously make a cut and you ought to. And then you say that you have got to accept it and thus you stultify yourself. Is this a contractual payment?

Mr. Rau.—Our financial instructions are that if it is a contractual payment, it has to be paid in spite of the cut. These contributions to the Provident Fund and the gratuities are contractual. Under the head Provident Fund there was an increase of 4 lakhs and that I have explained in paragraph 36 of the review. This was due to a decision to which we came later.

Mr. Das—In paragraph 29 you have also referred to that.

Mr. Rau—This increase of 4 lakhs was due to a decision which was arrived at because of the institution of the sterling provident fund in the middle of the year. It does not really mean an extra expenditure. It is only crediting certain amounts in advance to the sterling provident fund. As regards gratuities, it is purely a question of the number of people retrenched. It is almost impossible to be accurate about them.

Mr. Satyamurti.—I want to go to paragraph 9 of the Audit Review.

Prof. Ranga—Before you go to that paragraph we ought to make sure that the Railway Agents do conform themselves to the directions of the Railway Board. Should we not also make sure that the Railway Board could not overdo this work?

Chairman.—Do you want to mention that point in the report?

Prof. Ranga.—Yes.

Chairman.—I think that you ought not to. I think it is an extremely bad illustration of over-estimating.

Prof. Ranga.—They cannot do it in an arbitrary fashion.

Mr. Rau.—If you look at page 19 of my Review you will notice that generally our estimate has always been nearer the mark.

Chairman—These cases are probably due to the fact that the Railways have retrenched more staff than the Railway Board thought they would do. That is what you are grumbling at.

Prof. Ranga.—I am not satisfied even with regard to control.

Chairman—If you mean that the Railway Board should not make arbitrary cuts without some regard to the possibilities of their being fulfilled, that I think is common ground.

Mr. Satyamurti.—There is no justification for that comment at all. On the other hand, in this case their provision has proved to be false. *Mr. Rau* has explained that these increases are not due to causes which the Railway Board could not foresee. On the other hand, my own feeling is that if you look at the next paragraph which relates to new construction, open line works, etc., the difference would have been much greater but for the Railway Board's cutting.

Mr. Rau.—Even the revenue expenditure estimates, as you will see from page 19, were very much nearer the mark than the estimates of Railways. If we go on giving them what they ask for it will be impossible to carry on the work.

Chairman.—There is no difference of opinion on that point. The only point is about the allocation of their cuts to various heads. It is incumbent on the Railway Board to allocate them to heads where cuts are practicable and within the control of the Railway.

Mr. Satyamurti.—There is no case on record to suggest that they have done anything else.

Chairman.—That is a general statement of principle.

Mr. Satyamurti.—There is nothing to trace that principle because there is no case before us now to show that the Railway Board have made any cuts which were not practicable.

Prof. Ranga.—Paragraph 8, third section. The variations from the original under gratuities were as high as in the previous year. Why should there have been so much variation ?

Mr. Satyamurti.—Because more people were retrenched.

Mr. Ramsay Scott.—May I ask why the Director of Railway Audit put in that remark at the bottom of the first paragraph on page 3 ? Is he satisfied that his remark is justified ?

Mr. Rau.—He must have based his remarks on facts.

Mr. Mitra.—The reasons appear in the explanation.

Mr. Rau.—The explanation must have been given by the Railways themselves.

Mr. Satyamurti.—Is the Director of Railway Audit bound to put in an explanation like this unless he is satisfied that that is so ? Is he not bound to examine these remarks ?

Mr. Das.—Certainly he has been satisfied from the audit point of view.

Mr. Satyamurti.—My simple point is whether the Auditor-General was satisfied with the explanation of these two Railways.

Sir Ernest Burdon.—It has been accepted by the Railway Board.

Mr. Rau.—I am quite sure that the Railway did put in this sort of explanation. As I pointed out last year, whenever they are in a difficulty, they say it is due to over-budgeting or under-budgeting.

Chairman.—To make the story complete, you will have to say, as Mr. Satyamurti proposes, that it is true as a statement of fact but it is certainly not a complete explanation.

Mr. Rau.—In the Appropriation Accounts I cannot discover it.

Chairman.—If conditions had remained unchanged throughout the year, the Railway Board cut would have been justified, but as they changed, the Railway Board cut ought not to be justified. Therefore, Mr. Satyamurti's point is that thus cut by the Railway Board is not justified.

Mr. Satyamurti.—I am surprised at the Railway Board for having accepted it without a comment.

Sir Ernest Burdon.—The Auditor-General is not the final authority on questions of fact. Everything goes to the Railway Board. If they accept it, what can we do ?

Mr. Satyamurti.—I would like to suggest that when an allegation is made against you, you ought to answer it.

Mr. Rau.—I am quite prepared to accept it because I am quite certain that the Director of Railway Audit would not have put it in if it was not justified by the remarks of the Administration. Of course, whenever the Railway Administration cannot explain a thing, they generally say it is over-budgeting or under-budgeting. However, I will look at their explanation and see what it is.

Chairman.—Just tell me in what Grant or Grants your overhead cuts are being made ?

Mr. Rau.—It is in the next Grant No. 12.

Mr. Satyamurti.—Paragraph 47 of your Review. You will find that the situation is not improving at all and it has been getting worse and worse. All the figures mentioned there are simply staggering.

Mr. Rau.—It very often happens that after a construction is completed there are still certain credits and debits coming to that construction account, *e.g.*, contractors' payments, stores being adjusted, *etc.*, with the result that in the beginning of the year we have no information as to what is likely to happen. Sometimes these things come in three or four years later. Sometimes the accounts are kept open for a long time. Sometimes there is the question of land acquisition and sometimes there are legal delays.

Mr. Satyamurti.—Do you think it is a satisfactory position ?

Mr. Rau.—In most cases when the lines have been constructed it is impossible to foresee what will be the amounts that will be debited or credited to the account. In many cases the debits and credits nearly cancel each other.

Mr. Satyamurti.—Are they all unforeseeable completely ?

Mr. Rau.—Unless the Railways give us information as to what are the liabilities.

Mr. Satyamurti.—If they do not give this information, punish them. I find that all the departments when they come before us tell us that they will be very careful with the future but for the past they want us to forgive and forget. They ought to be more careful with the past. I would like you to find out how these people behaved in the past and you should smack some people for having been remiss. That will put some fear in their hearts.

Prof. Ranga.—Is it not in the power of the Railway Board to estimate how much will be necessary for these things as a result of their past experience ?

Mr. Rau.—From your past experience you cannot say that a certain percentage of expenditure will be incurred in the third year of the construction and so on. In the case of new constructions, we know how much money is to be spent on the total line. Then we say so much will be spent in the first year and so much in the second year. As I have explained in paragraph 50 of my Review, it is in regard to capital expenditure that it is impossible even for the Railways to foresee what difficulties will arise in the future.

Chairman.—May we take up the same question on the next Grant which is a much bigger one ?

Mr. Satyamurti.—Penultimate paragraph of paragraph 59. The percentages are fairly big ?

Chairman.—As the Auditor-General said, they are due to the current control being defective. From the point of view of control, the discrepancies between the revised and final estimates are much worse than the original estimates.

I now wish to get on to Grant No. 12. We seem to have made a cut of 10 per cent. If you look at the previous figures, you will find that the general average has been over 13 per cent. Did we not underdo it that year?

Mr. Rau.—I can say from these figures that we would have been quite justified in going up to 25 per cent.

Chairman.—If this 10 per cent. does not prove sufficient, we have got to cut it next year. Though it is a much smaller Grant, particularly in its present form, cannot you proceed on the principle that if these bills are not paid they will disappear?

Mr. Rau.—We will have to do it for "new construction" also.

Chairman.—It would, I think, probably meet the desire of the Committee if we were to suggest the principle of an overhead cut, assuming that it should be applied not only to open line works but wherever it is applicable. If the Committee likes we might add, "in regard to open line works, *prima facie* a 10 per cent. overhead cut is inadequate".

Mr. Rau.—From these figures, that is a proper inference to draw.

Mr. Satyamurti.—If you look at paragraph 49, page 29, there seems to be no relation between budgeting and expenditure. They seem to make mere shots in the air.

Chairman.—Your overhead cut is not going to remedy that much because your overhead cut is a block cut and no cut is really specifically distributed.

Mr. Rau.—We have asked them to allocate it.

Mr. Satyamurti.—I find in every item there has been underspending below the revised budget.

Mr. Rau.—In 1935-36, there has been overspending as compared with the budget.

Chairman.—That is a question which we might mention. One swallow does not make a summer. The Auditor-General said just now that he is extremely keen that the revised estimates should be more accurate because that is the test of actual control during the year of expenditure. We might mention something on that.

Mr. Rau.—In 1934-35 the revised estimate was not so bad; the difference between the revised and the actuals was about 50 lakhs.

Mr. Satyamurti.—The unanticipated credits do not help us either.

Mr. Rau.—These are things which are usually with us and we ought generally to proceed on the basis of getting unanticipated credits.

Mr. Satyamurti.—Then they cannot take it as an unforeseen item.

Mr. Rau.—Detailed credits would be unanticipated, but we know we shall get unanticipated credits as a matter of fact.

The Committee then adjourned till 2-30 p.m.

**Evidence taken at the fourth meeting of the Public Accounts Committee
held on Monday, the 20th July 1936, at 2-30 p.m.**

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., *Chairman.*
Finance Member,

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A. } *Members.*

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt.,
C.I.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ, PIRACHA,
M.L.A. }

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General. } *Were also
present.*

Mr. B. N. MITRA, Director of Railway Audit.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Controller of Railway
Accounts. } *Witnesses.*

Khan Bahadur BARKAT ALI, Director of Finance. }

Mr. Satyamurti.—Grant No. 11 (page 60 of the Appropriation Accounts). Under Burma Railways why was there such a big saving?

Mr. Rau.—The explanation is, “Due to the postponement of contractors’ claims”. They were in dispute and had to be referred to arbitration. They must have been paid in the next year.

Chairman.—Have you got any rule that you will pay the portion not in dispute?

Mr. Rau.—We have told the Railways that they must do that; otherwise there will be claims for interest and the arbitrator usually grants that.

Mr. Satyamurti.—What does this expression, “more anticipated credits for rails and plant” mean?

Mr. Rau.—They got rid of certain old rails and plant for which there was an increased demand and I think the prices had also gone up a little bit, so that they got more money back.

Mr. Satyamurti.—So they could not anticipate it ?

Mr. Rau.—No, it is a question of valuation.

Mr. Satyamurti.—On the Eastern Bengal Railway there was no original provision, then you reappropriated 4 lakhs odd and you spent only 1 lakh odd. Why was that ?

Mr. Rau.—The explanation was the same,—the contractors' claims were disputed and referred to arbitration and they were paid only later.

Mr. Satyamurti.—On page 61 there is the Jodhpur Railway on which there was a saving.

Mr. Rau.—That was the Jhudo-Pithoro Branch. We settled that in the middle of the year and got a vote from the Assembly.

Prof. Ranga.—The South Indian Railway was another bad case.

Mr. Rau.—Here they started the work late. This line was started because of some arrangement with the Tanjore District Board. I do not know exactly why it was that they started late.

Mr. Satyamurti.—In our report I should like something to be put in about Grant 11, something on the lines of what we put in last year.

Chairman.—Our remarks will apply to other Grants where they are applicable. We will also mention this difference between the revised and the final.

Grant No 12. There are two cases which are rather bad and they both occur on the East Indian Railway. You surrendered 17 lakhs first and then again 25 lakhs. Then for the Depreciation Reserve Fund you took a supplementary appropriation of 9 lakhs and then you did not want it.

Mr. Rau.—They put down an original estimate of what they would want to spend in the year and that is cut down in the revised. But the final grant or appropriation is a different thing. As between individual Railways we reappropriate but in the total we do not reduce the appropriation.

Chairman.—There may be inaccuracies in the original provision which may be met by a block cut but there cannot be these variations in the revised estimates. Take this East Indian Railway. They proposed to surrender 17 lakhs and they actually surrendered 42 lakhs. I think this is rather alarming. When do you take the revised estimates ?

Mr. Rau.—We get the figures up to the end of December.

Chairman.—You get the figures for 9 months and even then there is a saving of 25 lakhs. It is pretty bad.

Mr. Rau.—Even at the end of 9 months the individual Railways want to keep a margin.

Chairman.—It is inconceivable that the East Indian Railway would want to keep a margin of 25 lakhs. And there is no explanation except in the vaguest terms.

Mr. Rau.—On the whole our estimate was 9.25 crores and our actuals were 8.75 crores.

Mr. Satyamurti.—With regard to this all-over cut, I want to suggest that it must not be uniform in regard to all Railways.

Mr. Rau.—That is what we did last year.

Mr. Satyamurti.—And with regard to good Railways which do not show over-budgeting or lack of control you must have a different standard

Mr. Rau.—Yes, that is what we are doing

Prof. Ranga.—Page 64. It is stated that there was a saving of about 3 lakhs because of the use of second-hand material. What is the use of making provision for purchase of new material when you can make use of second-hand material ?

Mr. Rau.—Because they found that by using second-hand material they could save a little money and get quite as good a job.

Prof. Ranga.—Where was it used first ?

Mr. Rau.—It was taken from somewhere else. During the economy campaign they have been trying their best to use second-hand material

Prof. Ranga.—Then in the third sub-paragraph it is stated “partly reduced by curtailment of boiler programme owing to engines not having done sufficient mileage”.

Mr. Rau.—That is due to fall in traffic. Railways put in a new boiler after an engine has done a certain number of miles. Owing to the fall in traffic the engines did not do that work, and so they postponed it till next year.

Chairman.—Was not the fall in traffic foreseen ?

Mr. Rau.—Yes, it was foreseen, but not sufficiently, I fear.

Mr. Satyamurti.—Will you kindly explain, Mr. Rau, at page 65—what is meant by “Capital voted”. I want to know what it represents, both voted and non-voted ?

Mr. Rau.—Non-voted refers only to salaries of officers who are doing the actual work.

Mr. Satyamurti.—You will see the original was 26, then you cut it down by 15, you had 11, you spent 3 and surrendered 8,—mainly due to over-estimating in budget estimates.

Mr. Rau.—They expected to do a certain amount of work, but the estimates were not sanctioned. When anything is scrapped, you credit capital and debit the depreciation fund. The minus there means there is a plus on the other side.

Mr. Satyamurti.—Could not all these things have been foreseen ?

Mr. Rau.—Yes, I quite agree with you, there is no justification for asking for 13 crores when you are spending less than 9.

Prof. Ranga.—Column I, second sub-paragraph, page 65. You state there that the decrease is chiefly under “Works” 25 lakhs, “Rolling stock and stores suspense”, and “Manufacture suspense”.

Mr. Rau.—That is the only thing we can do.

Prof. Ranga.—The next thing is, under rolling stock, the decrease is mainly due to postponement of works owing to non-receipt of boilers.

Mr. Rau.—Boilers are imported from England, and if they are not received in time, the expenditure is postponed to the next year.

Chairman.—All these things are incidental to any works programme, and there is no doubt that you can by an allowance for delays avoid such things.

Mr. Satyamurti.—On the North-Western Railway at page 66 at bottom, instead of 9 lakhs, it is minus 102. With these figures what is it that you are presenting to us as budget, and what is it that we are passing?

Chairman.—May I say that we are all in agreement about this and we have decided to comment on it in our Report. All these things occur regularly.

Mr. Satyamurti.—I want to go back to page 65 and refer to the statement showing the works figures, provision for which was not made specifically in the budget estimates. Are they all emergencies really?

Mr. Rau.—Yes, they arise in the course of the year, and for this there is an estimate of about 10 lakhs a year.

Mr. Satyamurti.—Who controls it? And are you all satisfied that they are genuine emergencies?

Mr. Rau.—We have to sanction them in the Railway Board. We are satisfied that they are genuine emergencies.

Mr. Satyamurti.—We will now go back to page 29, paragraph 49 of your Part I. You will notice there that, except in three minor items, Rolling Stock, Hardinge Bridge Protection and Training Works, in all other major items there has been under-spending below the revised estimates.

Mr. Rau.—Yes, there is a difference of 50 lakhs.

Mr. Satyamurti.—That is very unsatisfactory?

Mr. Rau.—I quite agree.

Mr. Satyamurti.—Then in paragraph 50 you point out “During the last 3 years, the expenditure has roughly been a third less than the original budget.... On the other hand the capital expenditure was only 10 lakhs against original estimate.

Mr. Rau.—It is partly due to transfers between capital and depreciation fund.

Mr. Satyamurti.—Making allowance for that, what remains?

Mr. Rau.—In this Grant, you must take the two together as between capital and depreciation fund. There were two separate grants before, and they were amalgamated. 69 lakhs were, as I said, quite unexpected, and the balance is due to bad estimating.

Prof. Ranga.—There is a big fall in expenditure. What is the certificate you get about safety in travelling. Strengthening and renewals of girders are very important things.

Mr. Rau.—The certificates we get are with regard to maintenance more than anything else. Safety comes in from the maintenance point of view. I think the Auditor-General has drawn attention to that in one of his comments.

Prof. Ranga.—I know that a number of accidents are taking place because they don't attend to these things like renewals and so on.

Chairman.—As a matter of interest, have you got any statistics of accidents ?

Mr. Rau.—Yes, we have got them in the Administration Report.

Chairman.—Have you made a comparison with other big continental systems ?

Mr. Rau.—I don't think we have got comparisons with Railways elsewhere. Page 83 of the Administration Report shows the number of railway servants and other persons killed in India through accidents.

Prof. Ranga.—I myself was a sufferer in one of these accidents. The connecting links broke twice and they gave a terrific shock. Many of the passengers were thrown one against another. If the authorities were unable to spend all the sanctioned expenditure, then why did they ask for so much ? Strengthening and renewals of girders is a very important thing. Why did you grant this sum for renewals when you thought that so much amount was not necessary. I am particularly anxious that to the extent that the Railway authorities think that this expenditure is necessary and you have accepted their estimates, we should see to it that they spend the money on the renewals and so forth.

Chairman.—They appeared to be scientific estimates then, and no allowance was made for the general intractability of time. We propose to comment on it in our Report.

Mr. Rau.—For next year there will be an improvement in this.

Mr. Satyamurti.—Shall we take 51 ? I don't want to make any comments on it, I simply want to draw attention to page 30. I think they are all damnable—1½ crores under engineering and structural work.

Mr. Rau.—I am not satisfied myself.

Mr. Satyamurti.—Page 4. I take it that the action mentioned by the Director of Railway Audit is all-over cut.

Mr. Rau.—Yes.

Mr. Satyamurti.—I should like you to look at this, page 4, of the Report issued by the Director of Railway Audit, where he says—“ The large savings under Capital bear reference not only to the original grants, which are said to be prepared much in advance of the year, but also to the final grants, which are sanctioned at the close of the year and should be possible of more accurate estimation ”. Then it goes on to say “ The large savings on individual railways are made up of substantial excesses and savings not only under Capital and Depreciation Fund but also in different sub-heads of accounts. It was also noticed that the variations under the Depreciation Fund were generally of the nature of excesses on State-managed, and savings on Company-managed railways ”.

Mr. Rau.—That is probably due to the fact that in State-managed Railways capital is written off when asset are abandoned, while under the company-managed Railways, even if they abandon assets under the contract we cannot force them to write down capital.

Mr. Satyamurti.—Have you ever exercised that power ?

Mr. Rau.—Yes, but we cannot give them absolute instructions in the matter, because they have got a right of arbitration. We have to refer everything to the Secretary of State and it may finally come to arbitration.

Mr. Satyamurti.—I should like something said about it in our Report. I think the company-managed Railways are getting into arrears.

Prof. Ranga.—The Madras and Southern Marhatta Railways have been very unreasonable.

Mr. Rau.—I don't think so. For instance, they themselves suggested a plan by which in the case of rolling stock which it is not necessary to replace they would write off the original value of the rolling stock, because they did not want to be accused finally of having neglected the rolling stock. I think on the whole the Madras and Southern Marhatta have behaved well in this matter.

Mr. Satyamurti.—Have these facts been examined by the Railway Board, the question of the company-managed Railways not keeping sufficient stock ?

Mr. Rau.—Yes, we have our Government Inspectors.

Mr. Satyamurti.—Then at page 10 of the Administration Report, it is stated that the company is bound to keep the line in good condition and to maintain it efficiently.

Mr. Rau.—Yes, to the satisfaction of the Secretary of State. Finally it will come to arbitration. There is a general clause of arbitration.

Mr. Satyamurti.—Have you ever taken any case to the Secretary of State ?

Mr. Rau.—Yes, we have reported 2 or 3 cases on the Bengal Nagpur Railway in which the Managing Director does not see eye to eye with us.

Mr. Satyamurti.—I should like a sentence or two to be put in on this matter.

Chairman.—We will ask the Chief Commissioner about it.

Prof. Ranga.—On several occasions the Grand Trunk Express ran late on account of the failure of engines. Between Bezwada and Madras in the course of two months, the train was late three times.

Mr. Satyamurti.—Paragraph 11—have you anything to say on this ?

Mr. Rau.—All that I can say is that the defect has been removed in the estimates for the following year. As regards paragraph 12, I have mentioned the specific reappropriations in paragraph 58 of my Review.

Mr. Satyamurti.—Have you taken steps to remove these defects ?

Mr. Rau.—Yes, this was due to a misunderstanding : they thought that the convention agreed to by the Public Accounts Committee entitled them to reappropriate from one grant to another, which was irregular.

Chairman.—Probably they were thinking of the time when it was really one grant with different heads.

Mr. Rau.—We had two instead of eight grants as we have now.

Mr. Satyamurti.—After you have got eight this ought not to arise ?

Mr. Rau.—The need is greater : they could reappropriate more easily between two than between eight.

With regard to grant No. 6-G (paragraph 13) I think there the Director of Railway Audit is referring to the offices of the Indian Railway Conference Association and the Director of Wagon Interchange . I am not sure that I agree with him that it is incorrect because we give them a net grant . they are not Government offices at all and there is no necessity really for showing emergency cut separately.

Sn Ernest Burdon.—It is really a question of a sort of net grant for them , that is what I understand.

Mr. Satyamurti.—Paragraph 59 of the Review : Have you taken any steps to have this over-estimating prevented or at least reduced ?

Mr. Rau.—All that we can do is to bring to the notice of the Railways these particular instances and tell them they have to be as careful as they possibly can . the only test is whether there has been improvement from year to year.

Mr. Satyamurti.—With regard to these four cases you have mentioned, have you taken steps to prevent their recurrence ?

Mr. Rau.—So far as pensionary charges are concerned, I think we have been trying to correct them by taking the average of the last four or five years : but even that did not prove very satisfactory. I have got an explanation about it under miscellaneous expenditure. (Reads paragraph 44 at page 26 of the Review) The question has to be considered afresh and we are trying to find out whether we cannot have a better basis than that for the current year's estimates. As a matter of fact these charges are being gradually reduced from year to year.

As regards paragraph 59 (ii) we are telling every Railway to indicate what is the provision they have made for receipts from other Railways and compare it with the provision made by the other Railway.

(iv) is particularly bad : we are bringing it to the notice of the Agent of the North-Western Railway, telling him to have it more carefully looked into in future.

Prof. Ranga.—We noticed some such thing with regard to this North-Western Railway last year even.

Mr. Rau.—I do not think I had a separate paragraph about defects in estimating last year.

Mr. Satyamurti.—Paragraph 60 : How does this arise at all ? You make a general criticism here.

Mr. Rau.—What happens is that provision was made incorrectly in some Grants. The expenditure is booked under the proper account by the Accounts Officer.

Mr. Satyamurti.—Is this regular ?

Mr. Rau.—It is wrong, when the provision is made they make mistakes, and then automatically the accounts officer makes provision under the proper grant. It is only a question when there is some doubt about it in the minds of the executive authority, in time these points are bound to be reduced, there is no question of excess.

Chairman.—The accounts officers are your people?

Mr. Rau.—In the State-managed Railways. In the company-managed Railways they are under the Agent. Among the company-managed Railways the general principle is that the Chief Auditor is directly under the Home Board, he has got the right of direct correspondence with the Home Board, though in practice I do not think he exercises that right very often.

Mr. Satyamurti.—Are you satisfied that these accounts officers are fulfilling their functions?

Mr. Rau.—On the whole I think they are. The Accounts Department is functioning more or less properly?

Mr. Mitra.—Yes.

Mr. Satyamurti.—Are they independent of the Agent?

Mr. Rau.—In the State-managed Railways they are independent of the Agent.

Mr. Satyamurti.—Can we not have the same position on the other Railways?

Mr. Rau.—No, the staff are entirely their business; their internal arrangements are their business, but the financial control is there already, there is audit by the Director of Railway Audit and there is the Government Examiner on the spot and when he examines the accounts it is both on behalf of the Railway Board and the Auditor-General.

Mr. Satyamurti.—Paragraph 14 of the Audit Report. Unanticipated Credits. Are these actually spent by the Railways without so much as a "by your leave" by any one?

Chairman.—We had a discussion on this last year. Were these utilised to incur expenditure in excess? Were the new items of expenditure or merely excesses over current expenditure?

Mr. Rau.—None of them were new.

Mr. Satyamurti.—I would like this matter to be re-examined by the Committee. I feel that simply because there are unanticipated credits the spending departments do not get any right to spend them on items for which the sanction of the competent authority should be obtained.

Mr. Rau.—The arrangement entered into with the Public Accounts Committee, I think, was that we would mention it to the Standing Finance Committee if we were aware of it in time.

Chairman.—If it is a question of ordinary running expenditure you have got to incur it?

Mr. Rau.—Yes; otherwise we would have to have a larger supplementary grant.

Mr. Das.—But not on a new service?

Chairman.—The use of appropriations in aid is not to be permitted to allow anybody to sneak in new items which they would otherwise have to take a vote for.

Mr Ramsay Scott—Yes

Mr Satyamurti—If you vote 20 lakhs for a particular item and get 10 lakhs saved on it, and if there is another item for which you have already provided 5 lakhs, can they spend the 10 lakhs they have saved on this latter item in addition, in the same grant ?

Chairman.—If the item has been provided for in the original estimate, I think you can ; if it is not, you cannot do it without putting it before the Standing Finance Committee.

Mr Satyamurti—Under what section of the Government of India Act or under what financial rules ?

Sir Ernest Burdon—I do not think there is anything more than what the Chairman has already stated that when it is a question of embarking on new expenditure which, apart from the unanticipated credit, would have required a new allotment, you have got to get the new allotment.

Mr. Satyamurti.—Within the allotment itself, under what section of the Government of India Act itself can it be done ?

Chairman—I think the standard in using appropriations in aid to meet grant expenditure is not so strict here as the standard at home : I do not think you can use increased appropriations in aid even for grant expenditure, apart from new items, without a supplementary vote.

Mr. Satyamurti.—You take a token vote : why do you not do it here ?

Sir Ernest Burdon.—That must be a matter of convention of the treasury.

Chairman—Mr Badenoch said here that under the Government of India Act that rule did not apply Under the Government of India Act the Assembly grants a total grant as a whole, and so long as the expenditure does not exceed that amount granted, it is legal the department is not bound to come up for a fresh grant

Mr. Rau—I think we usually come up for a token vote. The point is only whether a fresh vote of the Assembly is necessary or not. So long as the total is not increased, there is no necessity for fresh legislative sanction under the present Government of India Act

Mr. Satyamurti.—Read out from page 68 of the previous Report of the Public Accounts Committee—Evidence Volume.

Chairman—I think you cannot use unanticipated credits for grant expenditure without authority.

Mr. Rau.—That is true and that is why we usually, when we prepare our revised estimates and find that we have taken into account these credits, we put up the matter before the Standing Finance Committee, and we get their authority to utilise this in reduction of the expenditure : if we do not know at the time, then it is a question of an excess grant.

Chairman.—You have covered all the cases excepting one, where you would have had an excess but for the unanticipated credit : that is, you are utilising windfalls to disguise under-budgeting.

Mr. Rau.—It is brought to the notice of the Public Accounts Committee in this way . whether legislative sanction is necessary or not, would you like me to consult the Legislative Department ?

Sir Ernest Burdon.—Quite definitely it is not : it is not necessary at all . We have taken legal opinion in the Legislative Department : this was examined two years ago most thoroughly . There is no doubt about it. You cannot ask for an excess grant when actually according to the figures before you there is no excess

Mr. Satyamurti.—The budget is not budgeted under different items : on the whole therefore if the Government do not spend more than 60 crores, they need not observe any rule at all ? Where do you get this distinction ?

Chairman.—You cannot have an excess grant if there is no excess. Even in cases where there is no excess grant, but unanticipated credits are spent on new items, they have to be put to the Standing Finance Committee on any question about which there can be a difference of opinion. When on the ordinary expenditure, instead of being forced into a supplementary grant, you use up unanticipated credits, the Auditor General says that Legislative Department has advised that it does not require a supplementary grant . But I see that the Director of Railway Audit's practice is rather stricter than the practice which the Public Accounts Committee laid down.

Mr. Satyamurti.—I should like to be told the particular section of the Act or the financial rule.

Mr. Rau.—(Read out from the Government of India Act.) This is the section on which the Legislative Department relies in support of its contention that powers of reappropriation are reserved to the executive.

Mr. Satyamurti.—That is reappropriation : are the two things the same ?

Mr. Rau.—Reappropriation arises when you anticipate that you ought to spend a little more on a particular item and you are able to save under another.

Mr. Satyamurti.—Here it is no reappropriation at all : they simply underspend in one case and overspend in the other.

Sir Ernest Burdon.—There is no question of reappropriation at all because there is no occasion for reappropriation . the money is there : it is a question of a net grant . The total grant has been sanctioned by the Assembly : if you alter your accounting arrangements and you do not have these credits shown by deduction of expenditure, then the position which Mr. Satyamurti desires would automatically arise . In this particular method of accounting under which these credits are taken, this situation did arise, which required this convention to be adopted ; it was adopted at the suggestion of the Public Accounts Committee and it was in pursuance of that convention that all these individual items of

unanticipated credits are shown by Mr Rau in his review and by the Director of Audit who draws attention to the more obvious cases in which the increased spending power has been given. Actually where these things are foreseen, it is the practice of the Financial Commissioner to take these cases to the Standing Finance Committee and get their authority to use them for expenditure.

Mr. Satyamurti.—This does not come within the four cases contemplated in the Government of India Act, where does it come in?

Sir Ernest Burdon.—It is nothing at all, there is no excess required, there is no reappropriation required: the money is there. The point is we are within the original grant.

Mr. Satyamurti.—That is not enough. Why do you then reappropriate?

Chairman.—May I read the two previous utterances on this subject by the Public Accounts Committee, one on the 1930-31 accounts. It says:

“ More than one instance has been given by the Director of Railway Audit where unanticipated credits have been utilised to increase the supply at the disposal of spending authorities. We have already made a recommendation on this subject in the First Part of our Report which we desire to reiterate. No controlling officer should be permitted to utilize, in order to increase his spending power, any unanticipated credits. The Director of Railway Audit has made certain proposals in paragraph 49 of his Report for carrying out this recommendation ”

In the following year, that is, on the accounts of 1931-32, they said: “ We adhere to the recommendation already made in paragraph 11 of the first part of the Report on the Accounts of 1931-32, viz, that in cases where substantial unanticipated credits are to be utilised to incur fresh expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants ”

Mr. Satyamurti.—It means “ fresh ” expenditure. You must go to the Standing Finance Committee and then to the Assembly.

Chairman.—The crux of this is the word “ fresh ”. Let us leave out the word “ fresh ” for the moment. Then it reads, “ to incur expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained. . . . ”. If you foresee these before the end of the year, do you take all encroachments on unanticipated credits to the Standing Finance Committee?

Mr. Rau.—Yes.

Chairman.—When you do not foresee and it is too late to take them, you do not get an excess grant because there was no excess, and then the only thing left to you is to report them to the Public Accounts Committee?

Mr. Rau.—Yes.

Chairman.—When there is still room to submit them to the Standing Finance Committee before the end of the year, I gather in all cases it is

done whether it is a new item or merely current expenditure. But supposing after that you found that there were unanticipated credits within the year to keep yourself within the total of the grant, you cannot have an excess because you are within the total of the grant, and the only publicity left to you is to report to the Public Accounts Committee and that is done.

Mr. Satyamurti—The spending department has only to wait and throw dust into the eyes of the Railway Board and the Finance Department and spend just as it likes, even crores it can, and then simply tell us that this is the position. It is very unsatisfactory and you ought to remedy that state of affairs.

Chairman—The only way you have got is to examine individual cases and the actual procedure and to see whether there was any reason why they should not have taken the instructions of the Standing Finance Committee in time and pillory them if you find that they have failed to do so.

Mr. Rau—They come up to us for sanction.

Prof. Ranga—You sanction that sort of adjustment?

Mr. Rau—If it is known in time, and I go to the Standing Finance Committee. If it is known at the end of the year, I bring it to the notice of the Public Accounts Committee.

Chairman—In that particularly narrow case we are discussing we have no remedy except to go, if you wish, into the details of individual cases, and, if necessary, pillory the perpetrators of them.

Prof. Ranga—Don't you think it is necessary and salutary?

Mr. Ramsay Scott—The first of these cases was the 'Tatanagar workshops.

Mr. Rau—Yes.

Mr. Ramsay Scott—Whether it was a new service, and they said it was not a new service, that was about painting the workshop, and we said that it was a new service.

Mr. Satyamurti—I am afraid you are right, Mr. Chairman, and I am wrong over this excess, but although I am defeated there, I think the Auditor-General must welcome my help in stopping this. It is a dangerous practice.

Chairman—The Railway Board can issue an executive rule to the Railways and the spending departments that they shall not spend any amount from unanticipated credits.

Mr. Rau—As a matter of fact we have told them that they must report to us.

Chairman—Let us take page 153. The two excesses which come under the category we are now considering are under Grants 6-A. and 6-G. An additional vote of 9½ lakhs would have been necessary under 6-A and ¼ lakh under 6-G.

Mr. Satyamurti—Page 153 only gives the list of grants, but that does not show how it has been utilised. They have all been utilised without sanction.

Mr. Rau.—I am not sure of that. On other items we had supplementary grants but they were insufficient

Chairman.—Supposing you give an opportunity to the Assembly of passing a judgment on these, here, again, you come across some constitutional difficulty. If the Assembly says we are not going to regularise, you have not got the machinery of surcharge up here

Mr. Satyamurti.—They have omitted to ask the House for that portion of the excess which they got out of the unanticipated credits.

Mr. Rau.—It is still to come.

Chairman.—I suggest that we recommend the total excess being sanctioned by the House.

Mr. Das.—I would suggest before we reverse the decision which we took only two years ago it is better to examine it in its entire perspective because some of us have been parties to that decision. We must have thrashed out this question before we came to those conclusions.

Chairman.—I am pretty clear in my mind that you cannot ask the Assembly to vote. At the same time it seems to me there is no sufficient information on the face of the accounts. If you wish to pursue the matter you have got to have the circumstances under which the credits occurred, and then when you report the matter to the Assembly, as regards those cases where there have already been excesses, you mention the fact if you wish, which you can do in your Public Accounts Committee Report. You can mention it there. Although the Assembly has got no locus in these other cases, the condemnation of the Public Accounts Committee will be on record, and if you wish to pursue these matters, you have got to pursue them as individual cases.

Mr. Satyamurti.—I agree with your first suggestion that we should recommend to the Assembly the sanction of these excess grants but in the very recommendation you ought to include that these grants are asked for after making allowance for expenditure from unanticipated credits,—that the actual expenditure was so much but part of it has been met by unanticipated credits and the balance asked for is recommended as excess grant.

Mr. Rau.—An unanticipated credit does not necessarily mean that the credit is unanticipated ; it only means that the credit was in excess of what was anticipated at the time. I explained it in one of my Reviews in the old days.

Chairman.—That is quite clear. In the first class of case the matter has got to be brought to the notice of the Assembly through the ordinary machinery of grants, but in the second class of case, if you like to put it so, where there is no excess, no information can be brought to notice through the machinery of grants and the only disciplinary measures which are possible are for the Committee, if they so desire, to ask questions on the individual cases and see what degree of blame attaches to them. There is nothing on the face of the accounts which shows whether there was any blame or not. And what occurs to me, I do not know if the Auditor-General will agree with me, is if the Director of Railway Audit, in considering these cases of this narrow category where information

cannot become available to the Assembly and the Assembly might like to know if there is any degree of moral blame attaching to anybody....

Mr. Rau.—If you like, I can arrange in this Review that an explanation should be given for the total excesses excluding the unanticipated credits, rather than for the excesses including unanticipated credits. Instead of the ten lakhs I am explaining, I ought to explain why there is an excess of 18 lakhs. That I can do.

Mr. Satyamurti.—I want to suggest that the Railway Board should issue orders that no expenditure ought to be incurred out of unanticipated credits without going through the normal process.

Mr. Rau.—That goes without saying but the only point is that this expenditure is not incurred out of these unanticipated credits.

Chairman.—By analogy, are you not really asking the Railway Board or the Financial Commissioner of Railways to issue instruction to the effect that in no circumstances are they to exceed the vote, but if they do exceed it, what you have got to do in the case is, where the machinery of excess grants is available, to bring it to the notice of the Assembly, and where it is not available to have it examined by the Public Accounts Committee.

Mr. Satyamurti.—I quite agree. Where they can bring it as an excess grant it is all right, the second class of case is where they cannot foresee. But I think there is a third class of case when they cannot take the sanction of the sanctioning authority.

Chairman.—In cases of specific identifiable items of extra expenditure they must do that.

Mr. Rau.—It is only when they know that they require the extra money. May I read out the letter which we wrote to the Railway in September 1934 on this point? (Reads.)

Mr. Satyamurti.—My impression is that the financial procedure for watching expenditure operates six weeks in arrears.

Mr. Rau.—We get monthly reports from the Controller of Railway Accounts showing actual expenditure month by month. The accounts of May were received about the end of June.

Chairman.—These cases, provided there is no breakdown in the financial sanction machinery, can really be possible only in cases which arose, say, in the last two months.

Mr. Rau.—When you get them earlier, you take them to the Standing Finance Committee. Many of them happen after the close of the year owing to accounts adjustment, bills from another department, and so on and so forth.

Prof. Ranga.—Can you not devise a means by which before they actually spend these excess grants which are available to them they are made to come to you.

Mr. Rau.—I will try and think out something in relation to your point, Mr. Satyamurti, and see if we cannot manage things better.

Chairman.—I would like to be certain whether, as I think is the case, there does exist a machinery up to the ten months, which will make this impossible.

Mr. Satyamurti.—I want an assurance from Mr. Rau. I do not want spending officers to have the feeling that because there is some saving in some other head and on the whole there will not be any excess, they can spend more liberally than otherwise. It must be a case of a genuine excess grant. I want you to enforce that.

Mr. Rau.—I agree.

Chairman.—That is due to the fact of decentralization and inadequate and incomplete development of the banking system ; an excess grant in England is an extremely rare thing.

Prof Ranga.—The present practice also tends to disguise the true facts with regard to certain grants

Sir Ernest Burdon.—The Financial Commissioner will hold his disbursing authorities to the gross figure laid down for expenditure in all cases whether there is a credit or not. The credit does not matter. It is a question of domestic financial administration.

Mr Ramsay Scott.—Paragraph 15. Why are not reappropriations made more frequently ?

Mr Rau.—We have recently issued instructions to the Railways saying that criticisms have frequently been expressed that demands for supplementary grants are not placed before the Assembly till after the expenditure has already been incurred, and that we are anxious to avoid grounds for criticism in this respect and desire the Railways' co-operation. We have pointed out that since the Assembly sessions generally take place in August-September and January-March, estimates of Railway Administrations regarding additional funds required should reach the Railway Board by the 15th August and 15th December each year. We said that the whole object is to ensure that as far as possible funds not required are withdrawn from disbursing officers as soon as it is definitely known that they are not required and, incidentally, to provide that any really unavoidable expenditure is met from such savings as far as possible. We recognized that it would probably conduce to more effective financial control if reappropriations are not made haphazard on the basis of individual items of expenditure where the original provision is exceeded, and that in many respects it is better to review the position as a whole at intervals and carry out the necessary reappropriations. We therefore considered that advantage should be taken of the review of the whole position which, as prescribed in the above paragraphs, will be undertaken in August, December and February to carry out the reappropriations necessary ; but, when funds have to be provided for new expenditure under one of the sub-heads and the Administration are definitely in a position to withdraw the grant from another sub-head for this purpose, reappropriations can suitably be made at the time. I shall send a copy of this letter to the Committee.

Mr. Das.—What view does the Auditor-General take in connection with paragraph 15 ?

Sir Ernest Burdon.—Mr. Das, the instructions apparently coincide with what we want.

Mr. Rau—Paragraph 16 of the Director's Report, last three lines. On the question of principle I entirely agree.

Chairman.—It was an ordinary domestic arrangement.

Mr. Satyamurti.—Paragraph 17 of the Director's Report. I think there is not much improvement since last year. I would like Mr. Rau to look at the dates—1932, 1929, etc.

Mr. Rau.—It is a question of land charges. It is only kept under technical objection. The whole thing is under dispute. The case is pending in the Lahore High Court

Mr. Satyamurti.—I ask whether really this is a sort of thing which should wait till the court has decided? I want to know whether anybody except the company has satisfied himself that because this is a pending suit, it cannot be adjusted.

Mr. Rau.—At present you cannot prepare the completion report till the whole amount has been finally settled. I shall look into the question of improving the procedure.

Mr. Mitra.—Until the amount is finally paid, the land acquisition officer will not account for it. He keeps it under civil court deposits.

Mr. Satyamurti.—Page 91, there are so many completion reports under consideration, why should they take five years?

Chairman.—I think the accounts ought to be cleared up much quicker than this.

Sir Ernest Burdon.—I have taken it up, I imagine there is some technical detail. For instance it may be a file which holds it up and is dependent on the Railway Board

Mr. Ramsay Scott.—Collieries. Look at 94 and 95. It is under submission to the Railway Board. How is that? Last year we made a recommendation and nothing seems to have happened

Mr. Rau.—In February 1936 the Railway Board said they observed that in the case of a large number of these items the expenditure is held under objection owing to the delay in the preparation of final completion reports for the works and that the delay is not confined to cases of new projects or large open line works but relates also to works of comparatively small magnitude. We therefore requested that necessary steps may be taken to impress on all departments the desirability of closing the accounts of individual works as soon as possible after completion, and preparing a final completion report immediately thereafter, for sanction by competent authority, and we invited the attention of Agents to paragraphs 159 and 178 of the State Railway Code for the Engineering Department and suggested that steps might be taken to avoid delays in the disposal of surplus and released materials to which delays in the preparation of completion reports are attributable in the majority of cases. However, I shall look into that.

Chairman.—The only thing is, don't have any complicated system of valuation. It seems to me even this year we should say something a little more acid than last year.

Mr. Satyamurti.—Cannot somebody devote a month to these items and give us a report whether these things are wound up or not? Let us put it in the quarterly progress report.

Mr. Satyamurti.—Paragraph 56 of your report: Grant No 5 I think it is a fairly bad case.

Mr. Rau.—We put it before the Standing Finance Committee, they approved of that grant, but before I put it before the Assembly, I got information that it was not likely to be required.

Mr. Satyamurti.—Who gave you the original information?

Mr. Rau.—I got it from the Railways.

Mr. Satyamurti.—Did the original supplementary grant which you asked of the Standing Finance Committee include these items?

Mr. Rau.—Yes.

Mr. Satyamurti.—As soon as such cases occur, I think they should be reported to the next meeting of the Standing Finance Committee.

Mr. Rau.—I think I mentioned it in the Assembly when moving supplementary grants.

Mr. Satyamurti.—Top of page 21. You must get rid of this mentality—this idea that you can have an excess.

Chairman.—That must be qualified by the fact that in relation to the figure of 7 lakhs the total grant was 17 crores, we must not pitch it too high.

Mr. Satyamurti.—Page 20. The largest excess was on the North-Western Railway.

Mr. Rau.—That was absolutely unexpected.

Prof. Ranga.—Grant 6-C, heavier repairs to coaching. Paragraph 32. What is the position?

Chairman.—Obviously, in the event it was wise to repair rather than buy new wagons.

Mr. Satyamurti.—The total expenditure was 25 lakhs for the budget and 8 for the revised. Even at that time it could not have been foreseen?

Mr. Rau.—It was provided for in the capital budget, but as it is an experiment we said we would charge it to revenue in the first instance.

Mr. Satyamurti.—6. E. Paragraph 34. The variations of individual Railways are somewhat striking in this grant. I suppose these are due to payments from one Railway to another not being fully provided for in the budget. That you said this morning.

Mr. Rau.—Yes.

Chairman.—Is that due to the question which I have raised with you to see if we cannot get some sort of rough and ready arrangement instead

of accounting up every penny of traffic. Every ticket is exactly apportioned between the two Railways. What we wish to investigate is whether some empirical method of dividing it up cannot be devised which would save a great deal of trouble.

Mr. Satyamurti.—What would be the saving in expenditure if the Hon'ble the Finance Member's suggestion is accepted?

Mr. Rau.—We are trying to work that out.

Mr. Satyamurti.—I think it is a thing well worth pursuing. Apart from the saving in accounts, it will save staff considerably.

Mr. Rau.—Yes.

Chairman.—I was wondering whether this is not a convenient place to stop. We have not taken up the outstanding questions. Most of them are in process of being dealt with or have got to be dealt with in connection with general financial inquiries.

Mr. Satyamurti.—On the whole, they have done better than last year. But I think there are some items which require looking up.

Chairman.—The first item is in process of examination. On the second item there is now a specific recommendation.

Mr. Rau.—Can I assume that the Committee approves of it? I have got to put it up before the Standing Finance Committee on the 27th July.

Chairman.—I think you can proceed on the assumption that the Committee approves of it.

Mr. Das.—I have no objection to this but the memorandum is a very weighty one and we should also go through it.

Chairman.—But the specific proposals at the end are comparatively minor ones. Those are the ones that Mr. Rau wants to put before the Standing Finance Committee. Other points can be discussed later on.

Mr. Das.—I wanted to discuss it with Mr. Rau and I will do so to-morrow.

Mr. Rau.—For my present purposes if the Committee approves of I (a) and (b), that is enough.

Chairman.—Item 3 is done already.

Mr. Satyamurti.—I want to know about this item whether since November 1935 the Railway Board have had any information as to how these services are being carried out?

Mr. Rau.—We have not yet heard in the matter. I believe we had a letter from the East Indian Railway and Bengal Nagpur Railway saying that they wanted a slight modification of these orders.

Mr. Satyamurti.—I suggest that in this matter we should get a six monthly report from the Railway concerned.

Chairman.—Let us have a report once a year.

Chairman.—Item 4. What about the railway codes? Have you got any report?

Mr. Rau—We have put a man on special duty in the Railway Board to bring the old codes up-to-date by carrying out all the corrections that have been issued since they were first started. I should think it will take about a year to complete this work.

Chairman.—Item No. 5. This is a general question. There is not much to be done by way of freights and fares and we are going to ask the Chief Commissioner about rail-road competition. We may also ask him about the military traffic and the Tata's.

Prof Ranga.—I think we had agreed last year that we should sit together in regard to the supply of wagons.

Chairman.—A note was sent round on this subject about six months ago.

Mr. Satyamurti.—I am of opinion that we must abolish all these saloons and special carriages

Mr. Rau—I will tell the Chief Commissioner to be prepared to reply to it to-morrow. The Retrenchment Committee recommended that no new saloons should be built and the Standing Finance Committee are very rightly objecting to that expenditure. We are only renewing old ones. Of course, the cost is the cost of maintenance.

Mr. Satyamurti.—I should like to ask a few questions on Item No. 6 from Mr. Rau to-morrow.

Chairman.—I would like to suggest that we break off at this point this evening.

The Committee then adjourned till 11 a.m. on Tuesday, the 21st July 1936.

**Evidence taken at the fifth meeting of the Public Accounts Committee
held on Tuesday, the 21st July 1936, at 11 a.m.**

PRESENT :

The Hon'ble Sir JAMES GRIGG, K C B., K C S I., Finance Member,
Chairman.

Mr B DAS, M.L.A.	}	<i>Members.</i>
Mr S SATYAMURTI, M.L.A.		
Professor N G RANGA, M.L.A.		
Dr THEIN MAUNG, M.L.A.		
Mr. J. RAMSAY SCOTT, M.L.A.		
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.		
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.		
Bhai PARMA NAND, M.L.A.		
Dr. R D DALAL, C.I.E., M.L.A.		
Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt., C.I.E., M.L.A.		
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHIA, M.L.A.	}	<i>Were also present.</i>
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General		
Mr B. N. MITRA, Director of Railway Audit		
The Hon'ble Sir GUTHRIE RUSSELL, Kt., Chief Commissioner, Railways.	}	<i>Witnesses.</i>
Mr. P. R. RAU, Financial Commissioner, Railways		
Mr V. S. SUNDARAM, Controller, Railway Accounts.		
Khan Bahadur BARKAT ALI, Director of Finance	}	

Chairman.—We had some discussion with Mr Rau on the inevitable topic of the general financial position of the Railways. We went into the existing position of the Railways. We asked Mr. Rau questions which tended to elicit the fact that there was very little money and that the Railway Board are more or less satisfied that there was no scope of any further increase in earnings even though the fares and freights are increased. But the Committee would like to know what actual retrenchment measures have been put in train in the Railways and what sort of figures you expect to get out of them. Mr. Satyamurti incidentally wanted to ask what betterment you expect, in any humanly possible degree, of the co-ordination between railway and road traffic. Then, Mr Satyamurti also asked Mr Rau certain figures based on a desire to arrive at what would in fact be the position of the Railways assuming that all these claims which have been made on behalf of the Railways for the removal of the conces-

sions or taking them over to the central budget were given effect to, and what would still, on a full commercial accounting basis, be the shortage from solvency. At this stage, I want to add a word of warning, that it must be perfectly clearly understood that whatever may be the betterment to the strategic railways or to the military, somebody has got to pay for it, and that somebody is the central budget, so that I personally do not attach a great deal of hope to these things. But I gather that Mr. Satyamurti's purpose is merely to prove that even if you get everything that you can conceivably ask for in that way, you are still short of a full balance on a commercial basis. I am not quite sure in which order you would like to take up these points. First possibly what you think is conceivable in the way of freight proportions and what you expect to get by way of betterment of finance as the outcome of the road-rail conference.

Mr. Satyamurti.—Also the figures which Mr. Rau gave us yesterday.

Chairman.—That is the datum line for the last part of it.

Mr. Satyamurti.—10½ crores

Chairman.—That is accepted.

Sir Guthrie Russell.—I generally agree with the statement that we cannot expect a tremendous amount from increasing freights. Traffic is better this year than last year. Even granting there is a trade revival, I do not think you can earn much by increasing the freights for goods traffic. We hope to get possibly half a crore by adjustments.

Mr. Satyamurti.—On goods alone.

Sir Guthrie Russell.—Yes. Our passenger earnings are not going down in the way they were formerly.

Chairman.—What about the Ticketless Travellers Bill?

Sir Guthrie Russell.—No doubt there is a drifting of passengers back from road to rail. That was the case in Great Britain also some time ago.

Chairman.—But for long distance traffic, motor travel is extraordinarily boring.

Sir Guthrie Russell.—At one time people in Great Britain used to go from London to Edinburgh by road. But very few people do it more than once now. Now they are drifting back to Railways. I have great hope that in India a similar process will take place but no doubt it will be very slow.

Mr. Rau.—In 1935-36, the passenger earnings are actually half a crore more than in the previous year.

Mr. Satyamurti.—Mr. Rau has given us a note which is rather inconclusive with regard to the reaction of passenger traffic to your manipulation of passenger rates and traffic. Is it impossible for you with the expert knowledge you have obtained in this country and also with the knowledge you got from other countries to draw some useful conclusion as to the reaction of passenger traffic to raising or lowering the rates?

Sir Guthrie Russell.—I can give you the history of passenger rates on one Railway. When I was on the Great Indian Peninsula Railway we were considering the question of reducing passenger fares and I had a graph made out showing the effect of reducing or raising fares from as far back as about 30 or 40 years. In certain cases the raising of fares gave us increased traffic, in certain cases reducing the fares gave us increased traffic, but there was no uniformity whatsoever, and it was not possible to base any definite conclusions on these graphs. Recently on the North-Western Railway we reduced fares, and, speaking from memory, we got an increase of 13 per cent. in numbers but a very small percentage increase in earnings. Before we decided whether we should continue the reduced fares, we asked the East Indian Railway (which Railway had made no reductions), to prepare statistics for exactly the same period as the reduced fares had been in force on North-Western Railway. The East Indian Railway statistics showed an increase in the number of passengers, so we could not definitely conclude that the decreased rates had been entirely responsible for the increase in passengers on the North-Western Railway. Further, the position was complicated by the fact that the decrease in fares had not been uniform, as the North-Western Railway had quoted very many special rates in competition with motor traffic. Our present conclusions are based on the analogy of the East Indian Railway, that we should stick to our present fares generally and reduce only in special cases.

We are also trying out an experiment on the Assam-Bengal Railway whereby we quote a maximum fare. This means that for a certain portion of his journey a passenger may travel free. If this scheme brings us in increased earnings we shall try it out on other lines. Further, some time ago on the Eastern Bengal Railway we started a system of return fares for third class passengers. Railways have always been opposed to return fares for third class passengers as it opened the door to swindling. However, so far as the first few months are concerned, it would appear that this experiment has brought us in increased earnings. This undoubtedly is an attractive proposition so far as the travelling public are concerned, but, as I have pointed out, it is difficult to form general conclusions from individual experiments.

Chairman.—I am not sure what the position is with regard to your draft Bill for ticketless travel.

Sir Guthrie Russell.—It is being circulated to everybody concerned. We propose to bring it up in the next Simla session.

Mr. Satyamurti.—With regard to this rail-road competition, have the Railway Board any policy of reducing the third class passenger rates so as to compete successfully with motor traffic?

Sir Guthrie Russell.—I have been in Bombay recently and I discussed this Bill with five or six Agents and asked them what they have been doing with regard to ticketless travel. We hope to get this Bill printed to-morrow and the Committee may have it soon.

Chairman.—Would you mind giving a summary of the conclusions arrived at in the road-rail conference?

Sir Guthrie Russell.—The most pleasing feature is that every Province agreed entirely that road traffic should not be allowed to compete

with long distance goods traffic by Railways since that is from our point of view a very much greater menace than passenger traffic on roads. There was a difference of opinion as far as passenger traffic was concerned. The Punjab said they did not want any control at all. United Provinces have control and the reports from the East Indian Railway are that it is helping them. The U. P. Government have reduced the number of buses on roads and generally the Provinces have agreed to control bus traffic. Stricter control means buses must raise their fares and I think if the buses raise their fares to an economic level, we can compete with them successfully.

Mr. Satyamurti.—Are Railways taking steps to give facilities to long distance goods traffic, such facilities as placing wagons without undue trouble, sending and receiving goods to and from the station, etc., more than is done at present? Quick delivery of goods, prompt receipt of goods for despatch, supply of wagons by elimination of corruption. It is notorious there is much corruption in Railways.

Sir Guthrie Russell.—If you can tell me how to eliminate this corruption, I will take prompt steps to carry them out. We all know there is a certain amount of corruption, actually we are trying to do our best. Our idea is if we can get one or two people summarily dismissed it will serve as a very good example. But it is very difficult to get proof. The merchants and the railway staff are in league.

Chairman.—It must be reducing your gross traffic.

Mr. Satyamurti.—Such action on the part of the railway staff only helps the road traffic.

Chairman.—I can confirm this statement that there is a lot of corruption. Recently I was in Bombay and it came to my notice that there was much corruption in Kathiawar ports. I got dozens of merchants in Bombay who gave me a general impression as to what was happening in those ports. One of them gave me specific information. But when I asked that particular merchant if he would give me authenticated copies of certain correspondence, he said, "Yes, but only on condition that you do not use them". Hundreds of people come and tell me about "A", "B" or "C" being corrupt in general terms, but none of them would give me specific information, the reason being quite definitely that they are all in it.

Sir Guthrie Russell.—There is a specific case. In Bombay on the Great Indian Peninsula Railway we got an Indian Army officer with absolutely unblemished record to supervise and for the first three months everything was splendid and everything worked well, but after three months things reverted to the old state.

Mr. Satyamurti.—Do you ever make a surprise visit to find out what is going on?

Sir Guthrie Russell.—We do pay surprise visits.

Mr. Satyamurti.—With no results?

Sir Guthrie Russell.—No.

Mr. Satyamurti.—Are we to hold up our hands in despair and say nothing can be done?

Chairman.—I was going to ask the Chief Commissioner whether anything was possible, short of a change in the public conscience.

Sir Guthrie Russell—Because people who pay the railway staff do not come out to prove the case

Mr. Satyamurti—Why don't you take the help of the Home Department and their police ?

Sir Guthrie Russell—Supposing a man goes to the station with a lot of luggage and that when his luggage is weighed he finds he has to pay for 4 or 5 maunds and supposing the parcel clerk says it could be managed with less charges. The man pays the parcel clerk who puts down the weight as 2 maunds and in this way the Railway loses

Mr. Ramsay Scott.—Why don't you verify the weight afterwards

Sir Guthrie Russell.—If you will give me specific instances, I will have the man dismissed straightaway without prosecution

Mr. Ramsay Scott—I guarantee to give you such cases in Delhi station.

Mr. Satyamurti.—I should like you to consider whether with the assistance of your staff and others, you cannot do something more ?

Mr. Rau.—When we met the members of the Railwaymen's Federation, we impressed upon them the necessity of the Federation taking steps to root out corruption in the interests of the staff themselves and expose the black sheep among them. All of them recognised there was a lot of corruption, although they were unable to say how it could be stopped.

Mr. Satyamurti.—You therefore expect no financial betterment by elimination of corruption

Sir Guthrie Russell.—I may hope for it, but I cannot guarantee it

Mr. Satyamurti.—The next point is with regard to the long distance traffic. Are you providing facilities for taking the goods from the godown and delivering them to the owner just as they do with the perishables in some places.

Chairman.—I personally am keen on running a feeder lorry service.

Sir Guthrie Russell.—We have discussed this with many merchants in Delhi and other places and we asked them if it would help them if we ran a motor lorry service for the delivery of goods. In Bombay and Calcutta we do not expect very much increase in earnings on this account. In those big places you have got private lorry contractors who take the goods to the station for despatch and take the goods from the station and deliver them to the merchants. The contractors charge a small amount to the merchants for this service. The merchants in those places told me that they preferred this private lorry contract system to the railway system. But I do think we should introduce this experiment in some stations.

Mr. Satyamurti.—You do not have cold storage for perishable articles. For instance, in Madras Presidency, things like fruits and betels definitely go from railway to motor traffic. I know fruits and betel leaves from Salem to Madura or from Ooty to Bangalore are all taken in big lorries and in this way we get them in much shorter time

Sir Guthrie Russell.—Actually with regard to cold storage, there is a scheme which we are putting up before the Standing Finance Committee for Railways next week. We want 20 vans. There is no financial implication as far as we are concerned, because we are hiring them to private firms and to the Army Department, at rates which will cover the cost of interest, depreciation and maintenance. In addition the user will pay haulage charges.

Chairman.—As far as the Army is concerned, I can send over their cold storage. You can make a profit out of that.

Sir Guthrie Russell.—We start with 20 now and I am sure as the traffic develops we will provide all facilities.

Mr. Satyamurti.—Taking all possible betterments by way of traffic receipts and passenger traffic as well as goods traffic, what do you expect to earn?

Chairman.—May I just complete the passenger traffic? I want to ask one question about the Ticketless Travel Bill. It makes all the difference whether you get a really effective punitive Bill. Everybody will agree with the principle of the Bill, but they will change it in such a way that it will be of no use.

Sir Guthrie Russell.—The Bill was discussed in the Central Advisory Council for Railways. But most of the members said "What happens if a man loses his ticket genuinely". We tried to persuade the members that nothing would happen in a genuine case of loss of ticket. If we get the Bill properly working, we would estimate the earnings at about $\frac{1}{4}$ or $\frac{1}{2}$ crore a year.

Mr. Satyamurti.—You throw the burden of proof on the accused. I can assure you that such a Bill won't get through the present Assembly.

Sir Guthrie Russell.—That is the only possible way of checking this evil.

Mr. Satyamurti.—Some of us are very doubtful about the principle of rigorous imprisonment. Let there be no misunderstanding as to how the members will deal with the Bill. But I am now asking you with regard to these figures given by Mr. Rau. We have all discussed about the possible increase in traffic. He gave us a crore betterment if nothing untoward happens.

Sir Guthrie Russell.—That was also my estimate. It is I think a pessimistic estimate. I think we can safely say at present that up till the end of June we were $\frac{1}{2}$ crore more than last year.

Chairman.—We got that in one month.

Sir Guthrie Russell.—24 lakhs in May and June through adjustments.

Chairman.—What are these adjustments? Under estimates and receipts?

Sir Guthrie Russell.—I do not think in my experience till now I have seen an over-estimate.

Mr. Das.—I want to understand this rates and freights policy. Please refer to Annexure F at page 65. I find you have paid more attention to freights and the changing of freight rates than to passenger fares. Was it not so?

Sir Guthrie Russell.—I do not think so but changing of passenger fares is given much more publicity because it affects everybody. I do not think you will notice the change in goods freights so much because every Railway from day to day is adjusting its goods freights to attract a particular traffic.

Mr. Das.—I can say that you are adjusting your goods freights to create a better movement of goods while as regards passengers you were adamant and in certain cases you have increased the fares.

Sir Guthrie Russell.—In the North-Western, Great Indian Peninsula, Bombay, Baroda and Central India Railways, etc., they have all altered their passenger fares from time to time

Mr. Das.—But it came very late. And I am led to the conclusion that it is only by reducing your fares that you can have a large number of passengers and go back to your 1930-31 passenger mile figures

Sir Guthrie Russell.—On the North-Western Railway for two years we had a big reduction of passenger fares. We increased passenger miles but we decreased our earnings, and surely that is not sound business.

Mr. Das.—While you decreased your passenger fares you so adjusted them that they did not give any facility to the passenger

Sir Guthrie Russell.—We had 13 per cent more passenger and $\frac{1}{2}$ per cent increase in earnings. While the Bombay, Baroda and Central India Railway increased their fares and also increased their earnings. Of course they are in an advantageous position because their main line is not affected by motor transport

Mr. Das.—Under item 16 on page 65 I find that the figure of 1931-35 is nearing the figure of 1930-31. The same is the case with item 13. Then the average rate in pies per passenger mile (item 13) is also gradually coming down. If you bring it down further you can raise your passengers from 486 millions to 550 millions, instead of dabbling in this ticketless travel business. Ticketless travel is only due to something wrong on the part of your supervising staff and the ticketless travellers are all your railway servants and their families and friends.

Chairman.—It is no good decreasing one unless you increase another by a corresponding amount.

Sir Guthrie Russell.—Our goods rates, barring Japan and Poland, are the lowest in the world

Mr. Das.—You have done well in your goods traffic, and if you apply a little bit of imagination to the passenger rates you will find a great improvement

Sir Guthrie Russell.—There are many places where owing to motor competition our rate for passenger fares was even below 3 25 pies

Chairman.—It is not unnatural to pay more attention to goods earnings because it is $2\frac{1}{4}$ times as much as passenger earnings

Mr. Das.—But still you must pay a little more attention to passenger traffic, because your high rates is one reason why the motor bus has started competition with you.

Sir Guthrie Russell.—You must remember that by a large reduction of passenger fares you risk a large amount of money. The North-Western Railway risked a loss of 45 lakhs, though they actually lost 2 lakhs. But that is only the gross loss. For that amount of traffic we had to run additional trains and the loss in net earnings must be considerably more.

Mr. Satyamurti.—I should like the Railway Board to tackle this problem of how to encourage people to travel and how to make travel comfortable and convenient. After all there is something in what Mr. Das says. There is a good deal of passenger traffic which can be tapped provided the Railways put their heart into it and also look at this problem of reaction of traffic to lowering of rates.

Sir Guthrie Russell.—I entirely agree, and we will make some more experiments but if we lose on them we must not be blamed.

Mr. Satyamurti.—Provided the causes are beyond your control.

Chairman.—I think we have now covered all the review ground except the actual existing and contemplated measures of retrenchment.

Sir Guthrie Russell.—At present our estimate is 3,500 surplus staff whom we are discharging. In addition to that we expect that during the next six months about 2,281 will become surplus. So 3,500 are being retrenched right away and if you also allow for the company Railways it will probably be double that figure. If you take it as Rs. 30 a head it will come to 15 lakhs a year.

Mr. Satyamurti.—Are you going to re-absorb them in the vacancies that arise?

Sir Guthrie Russell.—No, because last time on the recommendation of the committee of inquiry we retrenched all the younger men. Now we are going to retrench on grounds of inefficiency.

Mr. Ramsay Scott.—It is better to retire some of your older men and put younger men in their places.

Sir Guthrie Russell.—The men at the top who can be retrenched will be retrenched. The most inefficient will be retrenched right down the scale.

Mr. Satyamurti.—Taking these figures how many are at the top, i.e., drawing Rs. 100 and more?

Sir Guthrie Russell.—I could not say. We will save 16 lakhs on immediate retrenchment and we hope to save another 18 lakhs at the end of this year.

Mr. Ramsay Scott.—I find that you are now employing 22 men per mile whereas you formerly employed 19.

Sir Guthrie Russell.—No; on the State Railways our actual figure was 23 and we are now employing 21.

Mr. Rau.—You will find the mileage given on page 4 and the staff on page 7.

Mr. Das.—Do you mean to say that your supervising staff is the barest minimum which cannot be reduced?

Sir Guthrie Russell—I do not think we can say that there are too many. In some cases it is too few.

Mr. Das.—After the separation of railway revenues from the general revenues in 1924 there was an extravagance of ideas. Formerly there were not so many divisions and so many divisional officers as after 1924.

Sir Guthrie Russell.—I have also inquired into that, whether the divisional system is more expensive than the district system and my final conclusion was that there was practically nothing in it and the divisional system really was not more expensive. You only get a concentration of officers in one station whereas in the district system they are scattered over 500 or 600 miles. There is no proof that the divisional system is more expensive.

Chairman.—Can we get anywhere a division of the increase in working costs since 1913-14 between wages, salaries, interest and materials? Materials you can only economise by economical use and I think there is little scope for it, and that depends on world prices. Interest has gone up a great deal but you can only economise at the expense of the taxpayer. Wages and salaries costs can be reduced either by cutting rates or by cutting the numbers or by both. Mr. Rau might look into that question as to the scope for administrative economy.

Mr. Rau.—In the comparative figures in paragraph 7 the interest and the total working expenses are shown separately for a number of years. The wages bill is given on page 6. You can find that for a certain number of years.

Sir Mohammad Yakub.—In connection with retrenchment, what will be the criterion of efficiency and who will judge it? Is there not a danger that personal favouritism and personal prejudices will have more play and certain persons will suffer?

Sir Guthrie Russell.—We are trying to avoid that. That is an admitted danger. Actually on the Great Indian Peninsula Railway, we have got a committee, and we have asked for the Bombay Government Labour Officer to be associated with it: he is entirely neutral and he will examine the reports on each man and each man will have the right of appearing before the committee; on the North-Western Railway also we have a committee of three officers. There is no labour officer in the Punjab, but we are doing our best to avoid the danger.

Sir Mohammad Yakub.—I hope you are alive to it. It is a great danger.

Sir Guthrie Russell.—I will not say it is a great danger, but we are alive to it.

Chairman.—I want a table showing some comparison between pre-war and post-war working expenses divided up into the main heads of which interest is certainly one: I want salaries and wages shown separately—I do not know what is the dividing line here between salaries and wages. Mr. Rau has given some figures of staff showing the difference between gazetted and non-gazetted: gazetted under 2,000, and non-gazetted 650,000; obviously a good portion of the non-gazetted staff are getting good salaries.

Mr. Rau.—The ordinary limit is 600 rupees—new scales Rs. 400. The maximum now is Rs. 800—some foremen on the Great Indian Peninsula and Bombay, Baroda and Central India Railways on the electric side, they are specialists brought out from Home.

Chairman.—In England you have a perfectly clear cut dividing line between salaries and wages and everybody knows what it means : people remunerated for manual labour and others

Sir Guthrie Russell.—I think you can get gazetted staff, upper subordinates, lower subordinates and labour. I am not quite sure about the pre-war statistics. We have got some statistics but they are not exactly the same as present day statistics, but we will look it up and see what we can get

Prof. Ranga.—As regards these 114,000 people who have been retrenched, I would like to have some definite information in regard to those scales by which Sir James wants this staff. Then only we will be in a position to say how far we can justly insist upon retrenchment of different grades of these employees

Sir Guthrie Russell.—The only criterion is whether the staff are required for the working of the Railway or not.

Prof. Ranga.—I agree. The question of justice does not arise in regard to yourself, but it does in regard to others. I would like to have information from you as regards that. Next, Sir George Rainy, when he was Commerce Member gave certain figures about staff who were paid Rs. 100 and less in his budget speech. I would like you to look them up. Again one section of your staff are not paid pension or provident fund—the wage earners.

Sir Guthrie Russell.—Generally speaking, every one who draws more than Rs. 30 a month gets provident fund. For workshop staff below Rs. 30 it is optional whether they subscribe to the provident fund or not ; ordinarily a labourer does not get the provident fund, but he gets gratuity of half a month's pay for every year of service

Prof. Ranga.—I would like to have that division.

Sir Guthrie Russell.—We will see if we can do it

Chairman.—I would like to have my information first ; he wants a much narrower sub-division : if you can give him the information, do. But if it means a great deal of research, I want mine first.

Mr. Ramsay Scott.—Why do not these figures in the statement just supplied agree with the figures in the pink book ? None of them are correct—numbers or the amounts. Surely about 1929-30 there can be no argument about the figures.

Mr. Rau.—As regards 1934-35, the figures seem to be correct.

Mr. Satyamurti.—Could you give us the figures you promised yesterday as regards likely savings if we were to impose a cut on salaries ?

Mr. Rau.—If we go on the figures supplied to the Retrenchment Committee in 1931-32, the wages of people getting Rs. 30 and under amounted to Rs. 8 crores : between Rs. 31 and 50 amounted to 6 crores ; between

Rs. 51 and 100, Rs. 8 crores ; between Rs. 101 and 500 to Rs. 7 crores ; between Rs. 501 and 1,000 to Rs. $1\frac{1}{4}$ crores ; between Rs. 1,001 and 2,000 to Rs. $1\frac{1}{4}$ crores , and Rs. 2,001 and above to Rs. $\frac{1}{2}$ crore—or a total of 32 crores

Mr. Satyamurti.—Now it is 35 crores.

Mr. Rau.—It includes all sorts of allowances. Now, if you omit the first category below Rs. 30 and work out a scheme as follows :

Between 31 and 100	..	cut of 5 per cent.
Between 101 and 500	.	cut of 10 per cent.
Between 501 and 1,000	..	cut of 15 per cent
Between 1,001 and 2,000		cut of 20 per cent.
Rs. 2,001 and above	..	cut of 25 per cent.,

that gives you roughly Rs. 195 lakhs or 2 crores.

Mr. Das.—The Finance Member will have to consider the allowances to the higher staff ; the Railway Board has no power over it

Mr. Rau.—If we raise the lowest limit to Rs. 50 and have the same cuts as above, that gives Rs. 165 lakhs

Chairman.—Assuming everything is settled in favour of the Railways, how far short are they still of solvency ?

Mr. Satyamurti.—I only want to ask this of the Chief Commissioner. You do not believe in writing down of the capital ? You have heard of it frequently.

Sir Guthrie Russell.—I do not believe in it.

Mr. Satyamurti.—It makes no difference : it means transferring it from one pocket to another.

Chairman.—Mr. Rau has calculated all these concessions some of them will have to go out at once. About these concessions to Tata's and the rebate on export of coal from Calcutta, do you count them as concessions or as commercial good business ?

Mr. Satyamurti.—I would like to hear from the Chief Commissioner

Sir Guthrie Russell.—The rebate on coal is commercially good business though a concession : I would not cut it out straightaway. As regards Tata's I do not think it is a commercial concession : I do not think it is necessary. Originally it might have been. To-day we could get more out of them ; there is no doubt about it.

Chairman.—The loss of revenue thrown upon the Railways comes to a maximum figure of Rs. 4 crores on the present basis Mr. Rau's paragraph 121 puts on an ideal basis the deficit at $10\frac{1}{2}$ to 11 crores.

Mr. Satyamurti.—On a proper basis, I should say.

Chairman.—Mr. Rau gave us some figure for improvement in receipts

Mr. Rau.—One crore net per year : and you can take $\frac{1}{4}$ crore in addition for interest.

Chairman.—On the one side we have got 11 : on the other side we have now got 4 plus 1 plus $\frac{1}{4}$ plus $\frac{1}{2}$ under Burma separation. What other possible savings are there automatically, apart from retrenchment ?

Mr. Rau.—I would say there is very little to be got from the introduction of the present scales for three years at least to come. You may get some small benefits after five years. In the first few years the increments will cancel out the possible reductions. At the end of thirty years or more, when the new scales are completely introduced the saving will be 3 crores. The contracts with Tata's for electric energy to the Great Indian Peninsula and Bombay, Baroda and Central India Railways will expire in 4 years and we will get 25 lakhs after that.

Chairman.—Have you any other reductions which you can count on absolutely ? Interest is not cumulative.

Mr. Rau.—Probably the best thing is to take the position three years hence. Thus we will have about 4 crores by increase in earnings and reduction of interest. As against that we have to take into account the interest we may have to pay on fresh capital.

Sir Guthrie Russell.—This year our net earnings as regards receipts went up by 45 lakhs and our working expenses came down by 57 lakhs.

Chairman.—But that is obviously *post* and not *propter*. I think personally an increase of one crore net is excessive : I am prepared to give 75 per cent. that makes it $2\frac{1}{4}$ crores for three years. Adding the 4 crores we took for all concessions and $\frac{1}{2}$ crore in interest, the betterment at the end of three years will be Rs. $6\frac{3}{4}$ crores and that means that you are still Rs. $3\frac{3}{4}$ crores down. There ought to be a very definite programme of writing off.

Mr. Satyamurti.—I want to make it quite clear that the Railways will never be really solvent until they produce the extra 4 crores also. We ought to put it in our Report. If you want to work on a commercial basis, I am perfectly willing, I am prepared to give you credit of 4 crores, but produce the other 4 crores.

Chairman.—Mr. Satyamurti wants now to present you with the task of producing a betterment which must come largely from reductions of expenditure, he wants you to produce by the end of 3 years from now a betterment of 3 to 4 crores on a definite yearly programme.

Sir Guthrie Russell.—This ideal scheme is followed in no other Railway in the world, and no Railway in the world would possibly be able to do it unless something drastic is done. If the world depression disappears, and there does not seem to be any signs of it,—you will probably be able to get 5 crores straightaway. You cannot reduce your staff,—of course you can get minor reductions by reducing the staff. Therefore, the only one thing to do is to reduce your pay. If the Government of India definitely decide to do that, that is another matter.

Mr. Satyamurti.—Mr. Rau has produced two sets of schemes.

Sir Guthrie Russell.—Neither gives you what you want.

Mr. Satyamurti.—I want you, Sir Guthrie, to consider both these schemes and give us your own suggestions. You can reduce your wages and give us half of what we want or reduce the higher paid staff.

Sir Guthrie Russell—It is quite possible by this method you may get 1½ crores or so, but that is not going to be anything like net, and you will be creating terrible dissatisfaction throughout the Railways of India.

Mr. Satyamurti.—Sir Guthrie, either you must admit that you are a commercial department or you are not, you must stand the cuts which any department that runs commercially must stand.

Sir Guthrie Russell.—Supposing the Railways began to earn profits, what happens?

Mr. Satyamurti.—I give you a promise that when the Railways do make a profit and pay these 4 crores, I will then consider an increase of salaries, I will give them a vote in advance, but that won't happen for another 15 years. Supposing you were the director of a company, what would you do? Now tell us frankly what you would recommend should be done in this case?

Sir Guthrie Russell.—I certainly would not make proposals like those you make. The British Railways have restored the 2½ per cent. cut. There has never been in the history of any commercial concern cuts of that description. These cuts may seem to work well on paper, but they will create terrific dissatisfaction and you will get terrible trouble on your Railways by the superior staff joining with the subordinate staff.

Mr. Satyamurti.—Therefore, according to you, we have got to run the Railways at the sweet will of your staff. That shows that you have got such an undisciplined staff that if we slightly reduce their wages, they will rebel. Is that what you mean? Let them rebel, we will fight them.

Sir Guthrie Russell.—I am telling you exactly what will happen.

Mr. Satyamurti.—That shows that your Railways ought to be managed with the maximum of discipline. Every Government in the world has got cuts and we are having it not for the mere love of it.

Chairman.—There is one very material difference between the British Railways and Indian Railways, and that is, the ordinary shareholder takes his chance, and the burden of bad times falls on his shoulders. We have not got the ordinary shareholders out here, we have got all debentures, the State is a debenture holder here. That is the difference.

Capt. Sher Md. Khan.—Dissatisfaction there will be if you put the scheme of reducing wages or retrenchment into effect, but you have to work your Railways on a commercial basis. Either you will have to appoint a Committee or do something to cut down wages.

Mr. Satyamurti.—I do ask Sir Guthrie Russell's help in this matter, I do want him to tell us how he can help us in making these 4 crores. Give me some scheme.

Mr. Ramsay Scott.—The Government of India expect 6 per cent., while the Railways only make 3½ per cent.

Chairman.—It is no good your saying so. It is no good saying that Railways are a public utility service. If the process of paying for it is to be adopted, then the whole structure of Indian finance, provincial and central, will come down.

Prof. Ranga.—Public utility services have got to be maintained at any cost.

Chairman.—They can obviously be maintained on the basis you want only by increasing taxation, either in the provinces or in the centre.

Prof. Ranga.—I am certainly prepared to agree to any feasible scheme by which you can cut down your expenditure, but supposing you come to an irreducible minimum and you find yourself even there with a deficit, then what will happen? Either you will have to liquidate the whole thing and hand over these Railways to companies or you have to give up the idea of having any railways at all. I suppose you want to hand over the Railways to companies, and we are not prepared for it.

Chairman.—If you cannot make the Railways solvent, then you have got to subsidise them from some source or other. All I say is, if they have got to be subsidised to any material extent from the Centre, then it means either a considerable increase in taxation or the Provinces will not get the grants.

Mr. Ramsay Scott.—The Railways now make about 3½ per cent. on the total capital.

Chairman.—They are not paying any debenture interest.

Mr. Ramsay Scott.—No commercial concern of any standing would borrow all its money at the rate of 5 per cent. for debentures and you take the risk. I consider 3½ per cent. on their total capital is a very good earning under present conditions.

Chairman.—That is perfectly irrelevant from the point of view of the present position. The Railways in India had up till 1929 made a very big profit. What we are after is, is it reasonably practicable to ask,—that is all that the Committee can do,—that solvency should be produced in any particular way? If the Committee or the Government comes to the conclusion after considering the demand of the Committee that that standard of solvency is not conceivable, then the whole basis of the Government of India Act is a false one. That is the issue before us. I am certainly not going to join in any recommendation of specific measures. I do feel inclined to suggest that the Committee should recommend to Government that a certain measure of betterment in the railway position ought to be aimed at at the end of three years.

Sir Guthrie Russell.—We are taking a conservative view, and we may be stating a case worse than it may be. I mean, if there is a general rise in the price of our commodities, we can easily get 3 or 4 crores within a short time.

Chairman.—Incidentally, if you do get a general rise in prices, the other side of the picture comes in immediately, you will be perfectly entitled to increase the freights and fares.

Sir Guthrie Russell.—Freights should be raised in a boom time. Last time they were reduced. If rates and fares had not been reduced, people would have got accustomed to those rates. That is another loss, say about 5 crores, for which the Railways are not responsible.

Chairman.—If the freights had not been reduced, probably you would have had 10 or 15 crores in your reserves?

Sir Guthrie Russell—Yes.

Mr. Satyamurti—There are several items in Mr. Pope's Report which have not been touched on. I want to know if you are looking into that.

Sir Guthrie Russell.—I believe you refer to the question of the amalgamation of the Railways. That cannot happen for some time.

Mr. Satyamurti—May I know if the Government have any decided policy with regard to amalgamation of some of these Railways like the Bombay, Baroda and Central India and the Great Indian Peninsula.

Sir Guthrie Russell.—We have considered the possibility of amalgamating the Great Indian Peninsula and Bombay, Baroda and Central India Railways when the Bombay, Baroda and Central India contract falls in. It is fairly easy to estimate what paper economies there will be, but these may not be realised in practice, as the larger the system the more difficult is control. This is one of the reasons why the smaller systems show in many cases apparently better returns than the larger systems.

Chairman.—If you have got two Railways, one which is a State Railway and the other a company-managed Railway, as a preliminary to amalgamating them, the State has got to acquire the company Railway.

Mr. Satyamurti—There is no doubt that the working expenses of these Railways have increased directly they have come under the State. The wages bill on the East Indian Railway has mounted up very much considering the earlier profits they used to make.

Sir Guthrie Russell.—The wages on the company-managed Railways also have gone up. On the Eastern Bengal Railway the wages Bill since 1913-14 is three times higher, Bengal Nagpur is three times higher, Bombay, Baroda and Central India Railway $2\frac{1}{2}$ times, Burma has gone up just over twice. East Indian Railway has gone up by about $2\frac{1}{2}$. Eastern Bengal Railway is $2\frac{3}{4}$, Great Indian Peninsula is just over $2\frac{1}{4}$. Bengal and North-Western Railway is just over two.

Chairman.—Bengal and North-Western Railway?

Sir Guthrie Russell.—47 lakhs to a crore.

Mr. Satyamurti—That is usually taken as the standing example.

Sir Guthrie Russell.—I may say this that company-managed Railways are more efficient than State-managed Railways.

Mr. Satyamurti—I want facts from you to prove it. I can tell you that the State-managed Railways are more courteous and more polite than company-managed Railways.

The Committee then adjourned till 2-30 p.m.

**Evidence taken at the sixth meeting of the Public Accounts Committee
held on Tuesday, the 21st July 1936, at 2-30 p.m.**

PRESENT ·

The Honourable Sir JAMES GRIGG, K.C.B., K.C.S.I.,
Finance Member, *Chairman*.

Mr. B. DAS, M.L.A.	}	<i>Members</i>
Mr S. SATYAMURTI, M.L.A.		
Professor N G RANGA, M.L.A.		
Dr. THEIN MAUNG, M.L.A.		
Mr. J. RAMSAY SCOTT, M.L.A.		
Maulvi Sir MUHAMMAD YAKUB, Kt. M.L.A.		
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.		
Bhai PARMA NAND, M.L.A.		
Dr. R. D. DALAL, C.I.E., M.L.A.		
Kai Bahadur Sir SATYACHARAN MUKHERJEE, Kt, C.I.E., M.L.A.		
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHIA, M.L.A.	}	<i>Were also present.</i>
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.		
Mr. B. N. MITRA, Director of Railway Audit.		
The Honourable Sir GUTHRIE RUSSELL, Kt., Chief Commissioner, Railways.	}	<i>Witnesses.</i>
Mr. P. R. RAU, Financial Commissioner, Rail- ways		
Mr. V. S. SUNDARAM, Controller, Railway Accounts.		
Khan Bahadur BARKAT ALI, Director of Finance.		

Mr. Satyamurti.—Last year we put in in our Report a number of flamboyant things and hoped that something would stir even in Delhi and Simla. On page 6 of our Report we said :

“ We think therefore that it is vitally necessary that the Railway Board should conduct an exhaustive review of their freights and fares policy and should consider every possible means of increasing their revenue. Apart from what is normally understood by reviewing freight policy, we urge that they should press on with their consideration of the steps required to meet road competition. We do not at all intend to imply that the expenditure side should be neglected. We are most reluctant to accept the Railway Board's estimate of the possible further economies and we think that the search for them must be relentlessly pursued ”.

May I know the results of this relentless pursuit of retrenchment and also whether every possible effort has been made to increase the revenue ?

Sir Guthrie Russell.—As a result of the Public Accounts Committee meetings and also of the Conference of Agents (I think it was in July last year) every Railway was asked to send in a stock taking report detailing the possible increase expected through an increase in freights and fares and also what savings could be made. The Indian Railway Conference Association were asked to put up proposals for increasing the freights and for changing the classification. Certain number of increases have been sanctioned and actually at the present moment three hundred changes in classification are under consideration.

Mr. Satyamurti.—Has anything else been done to increase the revenue ?

Sir Guthrie Russell.—These alterations should bring us in about a crore of rupees. As I said this morning, I am rather chary of putting very heavy increases on freights at the present moment.

Mr. Satyamurti.—Is this all that has been done ?

Sir Guthrie Russell.—We have considered every aspect of this matter and we are doing everything possible. The only way of increasing the gross revenue is to increase freights or to reduce freights in the hope of getting more traffic. Actually we are considering a proposal for a reduction at the moment.

Mr. Satyamurti.—Has any action been taken ?

Sir Guthrie Russell.—We have actually increased the rates in the case of a certain number of commodities. I think it was in April or May. If you take last year, you will find that we have got an increase of 45 lakhs with a decrease in working expenses.

Mr. Satyamurti.—I want to know whether in pursuance of the report of this Committee anything has been done by the Railway Board ?

Sir Guthrie Russell.—Take for instance the case of coal. There the saving is entirely fortuitous. The Railway Board cannot claim any credit for it. We have taken every possible step for the economic use of coal and coal is one of our biggest items. I have got statistics here. It is not a question of audit control. These statistics are published every month and they are scrutinized in the Railway Board's Office.

Mr. Satyamurti.—I want to know whether consciously the Railway Board did anything last year in the matter of retrenchment and if so, what are the results.

Sir Guthrie Russell.—We have got at present a scheme for retrenching 4,000 men.

Prof. Ranga.—I find that eight items have been mentioned by Pope for effecting economies in the Railways. You do not say what action has been taken in that direction ?

Sir Guthrie Russell.—Take for example the intensive use of locomotives. Take the case of the Great Indian Peninsula Railway with which I am familiar. There, they are taking every step to secure the intensive use of locomotive power.

Mr. Satyamurti.—Do other Railways come into line ?

Sir Guthrie Russell.—Yes. Every Railway is doing it now.

Mr. Satyamurti.—What is the machinery to test whether the job is being done properly ?

Sir Guthrie Russell.—The Chief Mechanical Engineer.

Mr. Satyamurti.—How do you check it ?

Sir Guthrie Russell.—We get returns of the operating expenses.

Chairman.—Your control only arises when you find from the statistics that a particular Railway is not doing its job properly ?

Sir Guthrie Russell.—That is so.

Mr. Satyamurti.—That means that you shut the stable after the horse has been stolen ?

Sir Guthrie Russell.—No. We get these statistics every month.

Mr. Satyamurti.—What is the test you adopt to find out whether the Railways are doing their job properly or not ?

Sir Guthrie Russell.—We check the engine usage figures

Chairman.—This subject is reviewed in connection with their wagon programme. I know that at my suggestion the Chief Commissioner went into the question to what extent it is cheaper to repair the wagons or to produce new ones.

Sir Guthrie Russell.—Actually in recent years our engine usage figures had shown an improvement. In the past our policy was to provide engines which could draw the heaviest load for the longest distance. With the appearance of a competitor in the shape of motor transport it will be necessary for us to change our method of operation and run lighter and faster trains. This obviously is not quite so economical a method of operation, but it will require to be faced. We have still got a large number of heavy locomotives, but these can still be utilized on heavy mineral traffic, and if we have to make a change this is the time to do it. Actually we are placing before the Standing Finance Committee proposals to buy 16 new locomotives of four new types, which, we hope, will meet the changing needs of traffic.

Mr. Satyamurti.—Is there any machinery which looks into these matters and sees that these locomotives are put to the best possible use ? Have you got any standard tests ?

Sir Guthrie Russell.—We got certain operating statistics from British Railways. I worked out the operating efficiency on the Indian Railways and in every case we were better. It is not of course quite a fair comparison. In some respects they get some advantages and disadvantages. In other respects we get some advantages and disadvantages.

Chairman.—There cannot be in the very nature of things accurate and absolute standards but what you have got to see is that there is a steady improvement.

Sir Guthrie Russell.—I have not got the figures with me but at one time we published a series of statistics showing the operating expenses on each Railway and we underlined the best. That cheers the staff up and shows other Railways what they can do.

Mr. Satyamurti.—What is done about uneconomical wagons ?

Sir Guthrie Russell.—That is reviewed every year and we consider whether it is worth while to keep a wagon in service by reconditioning it. We assess how much it costs to repair it and whether it is worth while taking up the repairs. We have in all got 20,000 so called uneconomical wagons and we scrap about 2,000 a year. If you keep uneconomical wagons, they cost more to maintain. A 22-ton wagon is much more economical than a 16-ton wagon. In some cases it is cheaper to go in for a new wagon than to recondition an old wagon.

Mr. Rau.—If we recondition a wagon, we get about 16 years life and we spend about Rs. 1,000 on each. Buying a new wagon may cost us from Rs 3,000 to Rs 4,000.

Sir Guthrie Russell.—The whole question is reviewed every year by us and also by the Indian Railway Conference Association. The Railway Board deal with this matter themselves along with the Finance Member who, if I may say so, is very critical.

Mr. Satyamurti.—Cannot you combine all resources ?

Sir Guthrie Russell.—Yes, we do. One Railway, for instance, wants half a dozen locomotives. Before we agree to the purchase, we go round and take the locomotives stock for every other Railway. We interchange locomotives. The same thing is done with stores.

Chairman.—You still have a large number of different types of wagons and locomotives handed over from the time when the Railways were company-managed ? Is the reduction of types a continuous process ?

Sir Guthrie Russell.—Yes, but the South Indian Railway want lower capacity wagons than the standard types. We however do not agree. Every other Railway has fallen in, so in about 25 years' time there will be a standard equipment on all Indian Railways.

Mr. Satyamurti.—In presenting the budget to the Assembly, do you make allowance for this combination of resources cutting down the figures ?

Sir Guthrie Russell.—Yes. Our budget programme depends upon the adjustments between the locomotives on the different Railways.

Prof. Ranga.—What are the losses sustained by the Railways in maintaining these uneconomical wagons ?

Sir Guthrie Russell.—It may pay you because you have got to pay interest on a new wagon plus depreciation and off-set that against the additional cost of repairs.

Chairman.—But if it will pay you better to buy a new one, you will scrap it ?

Sir Guthrie Russell.—Yes. When a wagon reaches its age-limit, it is scrapped, but these are wagons which have not reached their age-limit. We do need these 20,000 wagons during the peak traffic in January and February.

Mr. Satyamurti.—What is the maximum number of wagons you ever used ?

Sir Guthrie Russell.—This year there were two thousand in excess

Mr. Rau.—About ten or twelve thousand are in course of repair.

Sir Guthrie Russell.—Last year it was down at one time to a very narrow margin

Mr. Satyamurti.—Page 8, what is the position here ?

Sir Guthrie Russell.—In the old days they had a great many transhipment stations and stores were transhipped at these stations taking twenty-four hours. Now we make up wagons which will go much longer distances. The North Western Railway have done a lot in that way.

Mr. Satyamurti.—We may have a statement in the Administration Report showing the progress of the experiment year after year.

Sir Guthrie Russell.—Yes.

Chairman.—We do in point of fact tend to go rather more closely into your Report than the Administration Report.

Sir Guthrie Russell.—I shall send you some minutes showing what has been done by the Railways ; the minutes of that meeting will give you a lot of the information you want.

Mr. Ramsay Scott.—Have you had many experiments with Diesel locomotives ?

Sir Guthrie Russell.—The two on the North-Western Railway are so far not very successful. There is a limited value for heavy Diesel locomotives.

Mr. Ramsay Scott.—In England these Diesel engines seem to have helped a lot in the road-rail traffic ?

Prof. Ranga.—What is the special advantage of a Diesel engine ?

Sir Guthrie Russell.—Diesel cars are cheaper and more elastic in operation. The Diesel rail car on the Kalka-Sumla Railway has been successful. Its cost, speaking from memory, about Rs. 75,000, but the running cost is considerably less than that of a petrol car. The cost of fuel for the double trip works out at about Rs. 5 as against Rs. 29 in the case of petrol cars.

Prof. Ranga.—In some cases Railways themselves are plying buses ?

Sir Guthrie Russell.—If motor transport was put on a proper footing and was run economically, then it might pay us in certain places.

Mr. Das.—I suggest we cannot interfere with Provincial Governments' powers ; this is a provincial subject.

Mr. Satyamurti.—It does seem to me to be rather strange that this pamphlet.....

Sir Guthrie Russell.—It has nothing to do with the Public Accounts Committee, it was published for the Transport Advisory Council.

Mr. Satyamurti.—What will be the effect of this paragraph on your own subordinates ? Take page 3 : You say, "everything possible consistent with safety and efficiency, etc.". "Possible" is a very big word.

Prof. Ranga.—What is the monthly value of all the concessions to railway servants and Government servants and military concessions ?

Chairman.—Concessions to military personnel, not to goods traffic.

Sir Guthrie Russell.—Barring railway staff, I do not think we now grant more than five periodical passes.

Chairman.—As far as you are concerned, the Railways are fully paid for that, it is only the Government of India which suffers ?

Mr Satyamurti.—We want a statement showing the cost of making a saloon, the interest and depreciation on these saloons, the cost of maintaining them, the cost of stabling them and the cost of hauling them, and then, how much do you get out of the Government. Also on the saloons, you get from the Government the full fare as you would charge to a private individual ?

Sir Guthrie Russell.—We get half fare.

Mr Satyamurti.—We want a statement showing how many saloons you maintain, what is their capital cost, what is the depreciation, maintenance and stabling cost, what is the railway room they take, for the whole of India, in the case of all saloons maintained by Railways.

Sir Guthrie Russell.—The cost of the big saloons is now about Rs. 75,000. The smaller ones cost about Rs. 20,000.

Prof. Ranga.—There are 89 coaches specially kept for military purposes. How much do they cost ?

Sir Guthrie Russell.—Those on the Great Indian Peninsula Railway were built in 1917, and they then cost about Rs 80,000.

Chairman.—The Government of India I understand pays you interest on repairs and maintenance ?

Sir Guthrie Russell.—We are a commercial department ; I think we have taken over all the capital.

Chairman.—The Railway Board does in effect get full commercial rates for the Government of India's saloons. My original contention was right that though it might be extremely extravagant for the Government of India, there is no injury to the Railways.

Mr. Satyamurti.—We want a statement showing the actual cost of the saloons,—cost of construction, maintenance, depreciation, stabling, haulage, everything possible

Chairman.—In the information Mr. Satyamurti has called for, the Railways get no payment from the Government of India for their own saloons.

Mr. Rau.—We must separate Government saloons from railway saloons.

Sir Guthrie Russell.—Conditions in India are entirely different ; they are the same as for instance on the Egyptian and the African railways, and the procedure is exactly the same.

Chairman.—Mr. Satyamurti can raise the question so far as the Government of India are concerned on vote No. 28.

Mr. Satyamurti.—What is the value of other concessions apart from saloons for their officials ?

Sir Guthrie Russell.—We have made a calculation of the average number of passes a railway servant gets.

Mr. Satyamurti.—We want the total number of railway passes issued free every year.

Prof. Ranga.—I also want the number of special coaches and also the kind of officers who are allowed to make use of them.

Mr. Satyamurti.—And the numbers for those officers who do not get saloons.

Captain Sher Mohammad Khan.—Do they get travelling allowance also ?

Mr. Rau.—They get a daily allowance.

Captain Sher Mohammad Khan.—There is no limit of mileage ?

Mr. Rau.—No.

Prof. Ranga.—What about junior military officers going first-class ? Are these concessions in the interest of the Government of India or of the Railways ?

Sir Guthrie Russell.—These concessions are made in the interest of the Railways because they would not otherwise travel

Mr. Satyamurti.—That argument can be over-worked.

Sir Guthrie Russell.—In England even a Lieutenant-General can travel at half fare.

Chairman.—Military officers are not able to use excursion facilities or cheap return tickets owing to the fact that they get their leave only at special times, so that it is a commercial proposition and is much the same as excursion traffic for the ordinary public.

Mr. Satyamurti.—Because of this concession, you are making money which you would not otherwise make ?

Chairman.—The rank and file as opposed to officers is mainly Indian personnel and people who might be stationed in Quetta and live in the Punjab.

Captain Sher Mohammad Khan.—The Indian rank and file get return ticket on payment of a single fare. The Indian rank and file travel on warrant if their homes are 800 miles away from their regiments.

Mr. Rau.—Those are not railway concessions.

Mr. Satyamurti.—Why do you give them these concessions ? What is the railway policy behind it ?

Sir Guthrie Russell.—It pays us. These people could not possibly travel long distances if they did not get concessions.

Mr. Satyamurti.—Then there is a case for general reduction of fares because thereby you will increase your traffic.

Sir Guthrie Russell.—On the North-Western Railway we did increase our traffic by 13 per cent.

Mr. Satyamurti.—Then it is a claim in favour of the general lowering of rates. But why do you make a distinction between men and men?

Sir Guthrie Russell.—It is in the Company contracts from time immemorial that the army personnel should get a concession.

Mr. Satyamurti.—When we were being conquered we were told that these army fellows were much superior to us. But those days are now gone.

Sir Guthrie Russell.—The army people also get concessions in Great Britain.

Chairman.—Is there any other way of checking this except by stopping the concession for six months and then watching the fall in the traffic?

Sir Guthrie Russell.—We would not know who those persons were. How will you differentiate?

Prof. Ranga.—These army officers purchase a second class ticket and you allow them to travel first class?

Sir Guthrie Russell.—Take an army officer who is a Captain in the army. He is going on leave and he gets a concession. But there is no concession for his wife. What happens is that the Captain travels by first class and his wife also travels first class. If there was no concession the wife would travel second class.

Mr. Satyamurti.—What is the gain that you make?

Sir Guthrie Russell.—It is a gain but we will try and get you the figures.

Sir Mohammad Yakub.—Sometimes you run special trains for the children of railway officers when they go to their schools?

Sir Guthrie Russell.—If there were 200 children going from one place to another particular place, it would certainly be a paying proposition to run a special train for them. Besides, it would not be easy to find accommodation for them in the ordinary train.

Sir Mohammad Yakub.—But we have also got our Universities and thousands of our students leave their Universities when the colleges are closed and yet they have to travel by ordinary trains as ordinary passengers?

Sir Guthrie Russell.—All school children throughout India get concessions.

Sir Mohammad Yakub.—But no special carriages are attached for them?

Sir Guthrie Russell.—If any school can produce 200 children destined for one particular place, we will give them a special train.

Mr. Rau.—But the point is that they all must be going to the same place. We give special concessions for groups of 25 even if they go on excursions.

Prof. Ranga.—But you do not run special trains for them ?

Sir Guthrie Russell.—You produce 200 students to go from one place to another and we will give you a special train

Chairman.—Are you going to do that for his Kisan ? (Laughter.)

Prof. Ranga.—What about abolishing one of these classes ?

Chairman.—I have a recollection that on one Railway you have considered the amalgamation of these two classes.

Sir Guthrie Russell.—The Assam Bengal Railway are considering the abolition of first class except on mails and expresses

Prof. Ranga.—You have chosen a very bad time. Why don't you do it on North-Western Railway or some other Railway.

Chairman.—Let us now proceed to Item No. 4—the Railway Codes.

Mr. Satyamurti.—Sir Ernest Burdon gave me this morning a list of 36 codes which he says are incapable of revision.

Sir Ernest Burdon.—They are capable of abolition.

Sir Guthrie Russell.—There is a man on special duty in my office for this very work and we are thinking of putting another man on special duty

Mr. Satyamurti.—Have you seen the list ?

Sir Ernest Burdon.—Mr. P. R. Rau is very familiar with all these books.

Mr. Rau.—An officer has been put on special duty. The first task is, as I explained yesterday, to get the codes into proper shape. After that the officer on special duty will try to find out whether any simplification is possible and finally issue them. We expect to finish them in six months.

Mr. Satyamurti.—How many codes are there ?

Mr. Rau.—There is the Engineering Code ; there is the Open Line Code. Then the Fundamental Rules apply to railways as well as to the civil departments. Then there is the Railway Audit Code. There is also the Railway Accounts Code, which has only recently been issued and I do not think it is capable of any revision. Then there are the Provident Fund Rules, which we are going to consolidate now.

Mr. Satyamurti.—These codes are merely executive orders. Is there any magic in increasing their number ?

Sir Guthrie Russell.—The magic would be in decreasing their number.

Mr. Satyamurti.—Then why don't you do it ?

Mr. Rau.—That is what we are trying to do.

Mr. Satyamurti.—I am glad to hear that. I am sure this list of 36 codes can drive any man mad. Shall we now go to the collieries. The first question is the question of the rebate from Calcutta. That is a commercial proposition.

Sir Guthrie Russell.—The rebate on coal from Calcutta was originally granted to encourage the export of coal from Calcutta to foreign ports. It was originally 25 per cent. off the freight, but this was subsequently increased to 37½ per cent. If we withdraw the rebate on coal exported to foreign ports there is one thing certain, and that is that India will not export one ton of coal. At present India exports about 150,000 tons of coal to Ceylon, Singapore and other places. As, however, no differentiation was made between coal destined for foreign ports and Indian coastal ports the latter have got the benefit of the rebate. We are at present considering whether it would not be possible to withdraw the rebate for at least certain specified Indian ports.

Prof Ranga.—What is the cost of this coal ?

Mr Rau.—On the average you can take it at Rs 3 a ton and the rebate is Re. 1-5-0 per ton.

Mr. Satyamurti.—What is the net cost of this concession ?

Sir Guthrie Russell.—If the traffic remains as it is, we would get 36 lakhs more. Even if they reduce the traffic down to 40 per cent. of the present traffic, we will still get the same gross earnings.

Mr Satyamurti.—Your considered opinion is that on this rebate the Railways lose nothing ?

Sir Guthrie Russell.—Yes, because if you reduce the output by a million tons, you lose a lot of return traffic, such as stores and there is a distinct effect on the general prosperity of the country.

Mr Das.—Is not this 45 per cent. rebate a sort of subsidy to the shipping companies ? I am particularly referring to the Bengal Nagpur Railway which is losing traffic. The coal is going by steamers and the steamers are charging these Railway companies certain freight.

Sir Guthrie Russell.—What happens is this. Some amount of coal is brought from South Africa by certain shipping companies. In fact, the margin between the South African coal and the Indian coal is very small.

Mr. Rau.—I particularly wish to refer to Madras. The coal that is going from Calcutta to Madras could have been supplied by the collieries situated in the Central Provinces and in Orissa. I believe the Railway Board ought to pay more attention to the supply of Talchar coal ?

Sir Guthrie Russell.—Is Talchar in Orissa ?

Mr. Das.—Yes. I am thinking of Central Provinces and Talchar both. Will you please consider this point ? It does need examination.

Sir Guthrie Russell.—The only possible way for the Talchar coal to get to Madras is to give it a rebate.

Mr. Das.—It is better to give rebate to a colliery than to give a subsidy to Indian Shipping Companies. Will you please examine that point ?

Sir Guthrie Russell.—I will.

Mr. Satyamurti.—The net result is that there is no loss to the Railway on this rebate.

Chairman.—Do I understand that it is the considered view of the Railway Board that unless prices show an upward tendency, it is not in fact going to pay to increase the output of coal from the collieries ?

Mr. Das.—I am satisfied that the railway collieries are not working economically.

Mr. Satyamurti.—I am surprised that the Railway Board have gone over to the other side.

Mr. Rau.—This is a question which requires to be examined every year.

Mr. Satyamurti.—On the whole this is a document which the Indian Mining Federation would have produced. As a matter of fact, I have in my possession a document from the Indian Mining Federation which does not differ from the document produced by the Railway Board.

Chairman.—As this has been mentioned in last year's Report, it will have to be mentioned this year also, namely the opinion of the Railway Board that expansion of output would not benefit the Railways at the present rate of development.

Mr. Ramsay Scott.—It will do a lot of harm.

Chairman.—I think we ought as a Committee to add that should any change of circumstances occur in that direction, the matter ought to be watched.

Mr. Satyamurti.—The matter must be continuously examined.

Mr. Rau.—We are forbidden to sell slack coal. That is really an important question and if the Committee would come to the conclusion that we ought not to be bound down by a self-denying ordinance, it would help us. It is often a source of danger for us to stock slack coal.

Mr. Satyamurti.—What is the origin of this restriction on sale of slack coal ?

Sir Guthrie Russell.—It is due to a promise made by a previous Commerce Member on the floor of the Assembly.

Chairman.—I must say that for a Government to make promises which prevent its running its own concern on a commercial basis is really extraordinary as a matter of general principle. I quite understand that vested interests have grown up. However I am content to wait for a better opportunity for extending the colliery outputs. But I do suggest that the Committee should recommend that the Railway Board should be relieved of its obligation not to sell their slack coal because not only do they not get the value for slack coal, but it is extremely dangerous to store the slack coal near their collieries.

Mr. Satyamurti.—Is there any commercial reason why they should not sell slack coal ?

Mr. Rau.—It was probably based on the principle that Government should not interfere with the interests of private collieries.

Mr. Satyamurti.—Then hand over all these railway collieries to private companies altogether. I think this question of Railways not being allowed to sell their slack coal should be severely commented upon by the Public Accounts Committee in spite of my friends, Mr. Ramsay Scott and Mr. Das.

Mr. Das.—Do not come to quick conclusions, because in life we have to change rash conclusions that we come to.

Chairman.—Whatever may be the interests of outsiders, I think a restriction like the present one of compelling the railway collieries to keep lying idle their slack coal is extremely dangerous and I am against it.

Mr. Satyamurti.—Can Mr. Rau tell us any further commercial reasons for this self-denying ordinance ?

Sir Guthrie Russell.—The commercial community object to the Railways having any coal mines of their own at all. When they could not avoid that, then the commercial community raised the question of the sale of slack coal. They say that private coal interests are ruined. It was Sir George Rainy who promised that railway collieries would not sell slack.

Mr. Satyamurti.—What is the loss to Government ?

Mr. Ramsay Scott.—Probably in those days the engines were using coal mixed with sand.

Mr. Das.—I will just tell Mr. Satyamurti that we should not come to hasty and quick conclusions. I know of a certain Railway which started developing a new colliery and they brought a European staff to work this colliery. I am referring to Talchar. There were very few Indian shareholders. It is no use our saying that railway collieries are running at a loss and that private collieries are making profits.

Mr. Satyamurti.—They have yielded to you in that matter.

Mr. Das.—One lakh was spent by the Bengal Nagpur Railway.

Mr. Satyamurti.—Can my friend Mr. Das tell me why the Railways should not sell slack ?

Mr. Das.—That is for the Government of India to say. They will consult commercial bodies and ask them what they think of their present policy.

Chairman.—We, as a Public Accounts Committee, are quite definitely of opinion that it is against the interests of the Government that the Railways should be prohibited from selling their slack.

Mr. Satyamurti.—We are pretty sure that the Government will consult commercial opinion, but this Committee can say that this self-denying ordinance is not in the interest of the Railways.

Sir Guthrie Russell.—What is the use of consulting commercial opinion when you already know their opinion. They are very definitely of the opinion that Railways should not sell slack.

Chairman.—The other thing is that you can retrace your steps from that promise given to vested interests when we are all agreed that by storing slack you are incurring great danger to lives all round and to the employees by carrying out that policy. It seems to me a great outrage.

Mr. Ramsay Scott—It seems to me that this slack question can be kept out by your not increasing your outputs because if you probably decrease your outputs, you can use up your slacks.

Sir Guthrie Russell—We are using every ounce of our slack that we can possibly use. There are about 200,000 tons of slack in our collieries at present.

Mr. Ramsay Scott.—They cannot be used by power houses at present?

Mr. Rau—It does not pay us to transport slack from the coal fields to Bombay and other places. We have to pay 4 annas per ton for taking the slack from the coal fields to a safe place. Nowadays slack is sold at the same rate as second class coal, at Rs 2.

Chairman—We can put in the draft Report that they should reconsider this question of slack coal not from the point of view of finance but from the point of view of safety.

Mr. Das.—And also so that they may not upset the market.

Mr. Satyamurti—Before we adjourn for the day I wish to know whether we are going to have a concise statement about the financial effects of the policy outlined in the road-rail conference?

Sir Guthrie Russell.—We shall try to get out copies as soon as possible, to-night if possible.

Mr. Satyamurti—Will you tell me your policy about the amalgamation of Railways? You gave your opinion this morning that nothing would be gained by amalgamation of Railways?

Sir Guthrie Russell.—I did not say so. What I said was that it is a risky thing to do now. For instance the North-Western Railway is too big a concern to be amalgamated with any other block.

Mr. Satyamurti—Sometime ago, the idea was discussed of having three or four systems for the whole country.

Sir Guthrie Russell—Some time ago I drew up a scheme for amalgamating all the broad gauge Railways into four systems, and the metre gauge Railways of the north, east and west into two metre gauge systems. We have also considered the possibility of, while still maintaining three systems, redistributing the mileage of the North-Western, East Indian and Eastern Bengal, the idea being that, possibly, three medium-sized systems would be a more economical proposition than the existing vast systems of the North-Western and East Indian and the small systems of the Eastern Bengal. When the Bengal Nagpur contract falls in it might be possible to amalgamate the eastern portion of this with the new East Indian Railway system, the western portion going to the Great Indian Peninsula. There are many possible amalgamations but I shall endeavour to draw up a scheme for the consideration of the Public Accounts Committee before they meet next year.

Mr. Satyamurti.—May I ask you whether you can show any savings by amalgamating these systems into two or three? We are not bound by historical accidents in every matter. These systems have grown up from a long time. Can we not apply fresh minds to these problems?

Sir Guthrie Russell.—That is what we are trying to do.

Mr. Satyamurti—I should like to have a report from you as to the possible financial savings to be effected by regrouping of these Railways.

Chairman.—The Committee would like to ask the Railways to let them have next year an up-to-date review of the possibilities of economy by regrouping of the Railways or amalgamation of the different systems.

Prof Ranga—Do you think the two Railway Administrations in the south will co-operate with you if you ask them their opinion about amalgamation? They will refuse to coalesce with each other.

Mr. Satyamurti—We ask the Government to take steps.

Chairman—Government can produce a dispassionate review.

Mr. Satyamurti—With regard to company-managed Railways, we have got to consider the financial implications.

Mr. Rau.—If we cannot get the company-managed Railways into it, then there is no possibility of amalgamation on the most economic lines.

Mr. Satyamurti—We can ask the company-managed Railways if they would come under State control. If they will not come, then we can ask the company-managed Railways to amalgamate themselves under their own management. For instance as Sir Guthrie pointed out the South Indian Railway and the Madras and Southern Mahratta can easily be combined into one system.

Chairman—After their contract expires.

Mr. Satyamurti—I want to mention as a possible saving one item. I am told that in the case of all through traffic, whether passenger or goods, there is an interminable system of credits and debits and I understand a lot of time and money and man power are wasted in this process. There is no means of automatic collection of debits and credits. If we can have any such automatic system, that by itself will be a possible saving and this can be achieved only by amalgamation of Railways.

Chairman—If you have got an approximate formula which gives results which the company-managed Railways would accept, then there would be no difficulty.

Mr. Rau—There will be considerable difficulty with regard to worked times.

Sir Ernest Burdon.—At the present moment, when you are attempting exact calculation and exact distribution, even some company-managed Railways have their own special party of auditors in the Clearing Accounts Office in Delhi.

Mr. Rau.—For instance the Bombay, Baroda and Central India have their own auditors.

Sir Ernest Burdon—The Clearing Accounts Office in Delhi exists for the distribution of receipts. That is a State organisation and yet the Bombay, Baroda and Central India send their own party to see that it is correctly done.

Chairman—If they can be assured of an approximate system which would allocate the receipts in such a way that the possibility of loss would be less than the cost of staff which they engage for checking then they might agree.

Mr. Rau.—We are looking into that aspect also. We can save the cost of the staff.

Mr. Satyamurti.—You may make allowance for possible loss.

Sir Guthrie Russell.—But the Bombay, Baroda and Central India approximate formula would be so wide as to be in their favour.

Mr. Das.—I want to ask you some questions about the electrification scheme on the South Indian Railway. Who was the Consulting Engineer for the South Indian Railway in regard to this electrification scheme? Was he the same as for the Madras and Southern Mahratta?

Sir Guthrie Russell.—He was the same for the Great Indian Peninsula and Bombay, Baroda and Central India but not the South Indian Railway.

Mr. Das.—Then did his estimates go wrong?

Sir Guthrie Russell.—The actual construction of the electrification was economically done.

Mr. Satyamurti.—Are you sure that these improvements could not have been effected but for electrification scheme?

Sir Guthrie Russell.—All these over-bridges, etc., would not have automatically come.

Mr. Satyamurti.—May I inform the Committee that the South Indian Railway imported all the window frames from England. They could have utilised wooden frames available in India or they could have purchased steel frames in India.

Sir Guthrie Russell.—Steel window frames are much cheaper than wooden frames in the long run and they are more lasting.

Mr. Das.—If you take item 14 in this statement, you will find that the South Indian Railway percentage as regards estimates was 15.96, but the actuals in 1934-35 were only 4.82. On the Great Indian Peninsula the forecast was 13.6 whereas it was actually 7.45. You will see that the Bombay, Baroda and Central India estimate was more accurate. Was the Consulting Engineer the same for Bombay, Baroda and Central India and Great Indian Peninsula?

Sir Guthrie Russell.—You cannot blame the Consulting Engineer for the traffic estimates because the traffic estimates were supplied by the Railways. The Consulting Engineers made the estimate for construction. As far as construction was concerned, they were correct within one per cent. of the total estimates both in Great Indian Peninsula and Bombay, Baroda and Central India.

Mr. Das.—Then what is the saving on the outlay?

Sir Guthrie Russell.—That depends on the traffic receipts.

Mr. Das.—Why is there this difference of opinion between the Director of Railway Audit and the Railway Board?

Sir Guthrie Russell.—There is no difference at all.

Mr. Das.—Do not the Railway Board agree with the Audit Report, paragraphs 7 and 8?

Mr. Satyamurti.—Before my friend, Mr. Das draws conclusions from these figures, may I put this question? If you refer to item 16 in this statement, you find the percentage of net savings after allowing for depreciation on net outlay: it was estimated at 13.00, whereas you got 2.46 in 1932-33 and it went down to .48 next year and in the subsequent year it became 1.81. Again if you refer to item 12 which gives the net savings in working expenses due to electrification, it was estimated at 1.19 whereas the actuals were .67 in 1932-33, .18 in 1933-34 and .68 in 1934-35. Am I wrong in saying from these figures that the electrification was a failure?

Sir Guthrie Russell.—From these figures you can say so.

Mr. Das.—How is it that the Consulting Engineer did not know at that time that the electrification scheme will work in collaboration with the city improvement scheme? I think the Director of Railway Audit is right in his observations on this point.

Mr. Das.—When the Consulting Engineer's scheme came to the Railway Board, did they not know that this sum of 22 lakhs would go to the Madras improvement scheme and so his estimates are partly correct. Here I am inclined to agree with the remarks of the Director of Railway Audit.

Mr. Rau.—The Director of Railway Audit has not commented on paragraph 4.

Chairman.—To what purpose is the argument of Mr. Das directed? To prove that this was a flop.

Mr. Das.—Somehow extravagant estimates were taken. They were not controlled by the Railway Board; but now to save their face they try to balance it up by putting 22 lakhs to the Madras development scheme.

Chairman.—You cannot in arriving at an estimated cost exclude something which you do not foresee which however turns out to be necessary.

Mr. Rau.—This was included in another scheme, the Madras improvement scheme.

Mr. Satyamurti.—If it was originally considered to be part of the Madras improvement scheme, you would be perfectly all right if the Railway Board had agreed to 15 lakhs for the original improvement scheme. They did not agree to it.

Mr. Rau.—That is included in the estimate sanctioned by the Railway Board. It means that in the estimate sanctioned by the Railway Board, this was considered to be part of the Madras improvement scheme, but finally they were found to be so interconnected that it was difficult to split the expenditure between the two.

Mr. Satyamurti.—If now you are going to tell me that but for this electrification scheme, we would not have those luxurious stations with enormous numbers of gates, platforms and covered overbridges and electric lights and so on, then I can only say, if that is the attitude of the Railway Board, then God help us. They have wasted a lot of money even on the most insignificant stations.

Mr. Rau.—The amount also includes the cost for automatic signals, quarters for the staff and so on.

Mr. Satyamurti.—I should like the committee to say that there has been gross lack of financial control, in order that the Railway Board may be more careful hereafter in sanctioning schemes

Chairman.—You can certainly say that the scheme has turned out to be a flop. But if you want to say that the reason for the flop is inadequate control by the Railway Board, you have got to give them a chance of defending themselves

Mr. Satyamurti.—Very well, I give them notice now and they can tell us to-morrow

Prof. Ranga.—I take great objection to this statement which has been made on page 3 :

“ On the other hand, steam operation could not provide an equivalent service to that which is being maintained with electric traction and it is the improved service which has created the demand.”

This is all in theory , in actual practice we do not find the improvement that they want us to believe there is.

Mr. Satyamurti.—Yes, I agree.

The Committee then adjourned till 2-30 p.m. on Wednesday, the 22nd July, 1936

Evidence taken at the seventh meeting of the Public Accounts Committee held on Wednesday, the 22nd July, 1936, at 2-30 p.m.

PRESENT :

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A., *Chairman.*

Mr B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THUPIN MAUNG, M.L.A.

Mr J. RAMSAY SCOTT, M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.

BHAI PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt., C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA, M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.

Mr B. N. MITRA, Director of Railway Audit

The Hon'ble Sir GUTHRIE RUSSELL, Kt., Chief Commissioner, Railways.

Mr. P. R. RAU, Financial Commissioner, Railways

Mr V. S. SUNDARAM, Controller, Railway Accounts

Khan Bahadur BARKAT ALI, Director of Finance.

Members.

Were also present.

Witnesses.

Mr Satyamurti—Regarding the electrification scheme, the South Indian Railway have badly blundered both in regard to expenditure and in regard to the anticipated results

Sir Guthrie Russell.—This is another case of defending our predecessors : it is easier to defend ourselves. But I should say this : one of the reasons for this is that certain things were transferred from one estimate to another : the original estimate figures were 37.42 plus 4.85 or a total of 42.27 : Madras improvements were 104.76 plus 13.96 or a total of 118.72 : the grand total is 160.99. The original estimate did not include a sum which was sanctioned later on : the final figure was 160.97. Actually the excess on the total was only about 3 per cent.

Mr Satyamurti—If you take electrification alone ?

Sir Guthrie Russell.—For some reason certain portions of improvement were transferred to the electrification scheme : hence the apparent large increase under electrification.

Mr. Satyamurti.—As regards results, I see they have been very much less than anticipated.

Sir Guthrie Russell.—I agree : there is no question about it

Mr. Satyamurti.—I hope the Railway Board will be very careful in sanctioning electrification schemes in future.

Sir Guthrie Russell.—Actually it was done on an estimate of the traffic made at that time.

Mr. Satyamurti.—As regards the Great Indian Peninsula Railway electrification—item 8 of the statement attached (gross savings) seems bad.

Sir Guthrie Russell.—When these estimates were made the Bombay Development Scheme had started and our traffic estimates were based to a certain extent on that scheme : admittedly we were too optimistic. But at that time in 1920, we were more or less justified in doing it, considering the circumstances then.

Prof. Ranga.—Have Government any other electrification schemes in mind ?

Sir Guthrie Russell.—No : the only one we have taken up is an estimate for electrification between Igatpuri and Manmad but the prospects were not good : if traffic improves and there is another boom, it will certainly pay. In the last six years capital has increased at one crore a year and so we cannot be accused of being too extravagant.

Mr. Satyamurti.—Paragraph 4 of the Auditor-General's letter : do you agree as regards the revised form and arrangement of grants ?

Sir Guthrie Russell.—I agree there.

Mr. Satyamurti.—What about the next paragraph read with paragraph 29 of the Financial Commissioner's Review ?

Mr. Rau.—I thought of giving the final appropriations : but the difficulty is that the final appropriations do not really mean anything. But I can give you the figures now and I am quite prepared to put them in future. I think the Auditor-General will be quite satisfied if I give an additional column showing final appropriations in each Railway

Sir Ernest Burdon.—Yes.

Prof. Ranga.—In this paragraph 29, on the East Indian and Great Indian Peninsula railways the actuals are less than the revised ?

Mr. Rau.—They have spent less than they asked for.

Sir Guthrie Russell.—If in a budget of 9 to 10 crores, you can be nearer than one per cent., it would be pretty clever.

Mr. Rau.—In 1932-33 we were within 8 lakhs in an estimate of 49 crores, and in 1935-36 we were within 5 lakhs in an estimate of 50 crores : but as regards the distribution between Railways it is very difficult

estimating . we can be more sure of our totals than of individual estimates. Of course I quite recognise that it is a thing to be aimed at to have accuracy in details as well as in totals.

Mr. Satyamurti.—I draw attention to paragraphs 56 and 57 (excesses in 6 voted grants) and paragraph 58 (irregular re-appropriations).

Sir Guthrie Russell.—I would suggest this : you should work out the percentage of the differences, they are very small.

Mr. Satyamurti.—That would be a dangerous test. I merely wanted to draw your attention to it. As Mr. Ramsay Scott suggested you must keep a black list of these Railways and treat them more severely than before.

Mr. Rau.—(Referred to the Legislative Assembly debates of 1935 and cited an instance where he had not moved a supplementary grant as it was not necessary to do so in the light of subsequent information). In this particular case of excess in Grant 5, I might explain that there was some discussion with regard to the actual accounting arrangements and the question was whether we should put in the demand the actual payment or our actual liabilities and after consultation with the Auditor-General we decided that the actual liabilities should be shown there.

Mr. Nixon.—May I ask if this is correct—that this Grant shows liabilities and not actual payments in the year ?

Mr. Rau.—Of course . otherwise the result would have been that what is really in deposit would be shown as an addition to our surplus and you would have had to pay interest on it . it was to save general revenues from having to pay interest that we decided like this.

Mr. Ramsay Scott.—It is a liability at the end of the year ?

Mr. Rau.—Yes . and it has been discharged by this method.

Mr. Das.—May I put some questions on the general financial position ?

Chairman.—Yes.

Mr. Das.—Referred to the stores purchase policy and asked if the London Stores Department had to do over 5,000 drawings a year.

Sir Guthrie Russell.—One new locomotive itself would require about 500 drawings. As regards the experiments on fishplates, probably our central standards office had to consult their consulting engineers but this number of drawings is a very small number. Designs are made in India and sent home for vetting. I would suggest you visit the central standards office and see the work that is being done there. As regards experiments, we make them in the hope of getting better equipment and saving more money . sometimes our experiments are failures.

Mr. Das.—In a time of actual financial depression it is better to go on with old models and not lose on experiments.

Sir Guthrie Russell.—That is the time when you have to make experiments in order to attempt to make savings : the British Railways are doing far more experimental work now than before for the simple reason that their earnings are dropping.

Mr. Rau—The Committee, I think, have been impressing upon us the desirability of giving up our old methods and trying experiments and new methods.

Mr. Das.—Then referred to paragraph 120 of the Review (page 57) : With regard to I (c) and II and III, will it come up before the Committee ?

Mr. Rau—If the Committee approve of I (c), II and III, that would help us. Our proposals should be taken as a whole. I said I would like to have the approval of the Committee for I (a) and (b) because that is the particular thing on which action is immediately necessary and I want to place it before the Standing Finance Committee shortly. But I want approval to the proposals as a whole. You will see from the Auditor-General's letter [para. 6 (c)], that he says "and for this reason I required, Government agreeing, that they should be laid before the Public Accounts Committee and explained to the Legislative Assembly."

Mr. Das—As regards paragraph 120—I (c)—your estimate is that 16th will give you one and a third crores ?

Mr. Rau.—The Government of India have approved of these proposals.

Mr. Das—I am not clear in my mind about your proposal about amortisation. Will that fund be earmarked before you make your general contribution ?

Mr. Rau.—That is the intention. The Railways will not be considered to have earned a surplus until they have provided for amortisation and minor improvements. At present, the general revenues have a liability for amortisation and they are providing certain funds for that purpose. If Railways provide for amortisation of their own capital, the provision made from general revenues can be reduced.

Mr. Das.—When you set apart funds for amortisation, your capital is reduced by so much, and so the Finance Department is not benefited.

Mr. Rau—The general revenues will be relieved of their liability, and the Railways will undertake them directly.

Mr. Das.—If it is a commercial concern, from a financial point of view, I quite agree with you, but your arrangement with us is that you contribute 5 crores, and if there was any amortisation, it was done by general revenues and they got certain interest, and if you write off your capital, the general revenues lose so much.

Mr. Rau—It is just as if you are devoting the 5 crores to repayment of capital. These 5 crores the general revenues would get as a contribution under the convention itself.

Mr. Ramsay Scott.—You are behind your payments by about 57½ crores. If this sum is paid, will you have any further liability ?

Mr. Rau—If these liabilities are not written off, they will have to be met. They will have to be met before we make any further contribution to reserves or general revenues. Out of future surpluses the loan from the depreciation fund is first to be met and secondly all the arrears of the contributions.

Mr. Ramsay Scott—So your 10½ crores is now increased by 57½ before you make a single payment ?

Mr. Rau—10½ crores is recurring : 57½ crores is non-recurring.

Mr. Ramsay Scott.—What are you going to do about it ?

Mr. Rau—Either it must be written off or the liability must continue. So far as the contribution to general revenues is concerned, the liability does not arise until the Railways begin earning surpluses. So it is not a loan in that sense but the loan from the depreciation fund is a liability, because it was used to meet deficits.

Mr. Ramsay Scott.—But this loan will go on increasing year by year until you become solvent ?

Mr. Rau—Not solvent under the 11 crore calculation, but solvent under the present method.

Mr. Satyamurti.—When can the Railways be expected to improve sufficiently their finances ? It is a matter to be decided here as to what that sufficient improvement will be. Whether it will include 57½ crores or not is a matter for the Government to decide.

Mr. Rau—This is a contingent liability which you must take into account in considering the finances of the Railways.

Mr. Das—Don't you think from the point of view of Railways as a commercial concern, it is more important that they should provide from their own revenues for amortisation ?

Mr. Nixon—If this item were introduced, it will be a new feature completely outside the 1924 convention, and therefore for the purposes of distributing money to the Provinces it would be ignored. So the Provinces would not suffer if the Railways were to do this. I think I can give an assurance to Mr. Das on that.

Mr. Das.—Do you want us to express our opinion on the whole or only on (a) and (b) from your point of view ?

Sir Ernest Burdon.—I myself express my own agreement.

Mr. Ramsay Scott.—What Mr. Nixon has just said should be put in the Report, I think.

Chairman—Let us take page 3 of the Auditor-General's letter, paragraph 8.

Mr. Satyamurti—Before you go on with it, I should just like to ask a question on last year's Report where it is stated "We are of opinion that there is considerable room for improvement." It means that Railway Administrations should see to accuracy. Then on the top of page 4 it is stated "We consider that the Railway Board should take all possible steps to secure greater accuracy in estimating." Then there is the next paragraph which says—"While examining the question of the control of the Railway Board over Railway Administrations.....". Have you done anything in the matter ?

Sir Guthrie Russell—We have delegated considerable powers to Agents, and Mr. Rau and I propose to go into the question again.

Mr. Satyamurti.—Has it resulted in any more effective results ?

Sir Guthrie Russell.—Certain delegations of powers have led to a reduction of work and this is why we propose going into the question of further delegation. Delegations are always directed to decentralisation.

Mr. Satyamurti.—Paragraph 59, Annexure B, page 34 of the Pink Book. Look at the impressive list there.

Sir Guthrie Russell.—I entirely agree. When these come to notice, they are taken up with the Railways.

Prof. Ranga.—Page 4, third paragraph, first sentence.

Mr. Rau.—We have already taken action about it. We have tried to reduce it as far as possible by the system of lump sum cut which you have introduced.

Mr. Satyamurti.—I am surprised to note this, that because the Railway Board cuts down 10 per cent, in the original estimates they put 10 per cent. more. What sort of dishonesty is this ? I think we must apply to each estimate a vigorous test and you must punish people. I want your help in advising us whether you can evolve a system by which you can control this sort of thing. You must have some kind of cutting down with reference to actual figures with reference to the last 2 or 3 years.

Sir Guthrie Russell.—We are doing it now. Mr. Rau and I go through the programmes. We know pretty well which of the Railways come near their estimates, and those which are extravagant.

Prof. Ranga.—I have already drawn Mr. Rau's attention to this, page 34 of Mr. Rau's Report, item 4, paragraph 59.

Mr. Rau.—I have already promised to write to the North-Western Railway about it.

Chairman.—Let us take page 3 of the Auditor-General's letter.

Mr. Satyamurti.—I have some paragraphs besides the paragraphs mentioned there. Auditor-General's letter paragraph 19, page 8, allocation of expenditure.

Sir Guthrie Russell.—As regards the Bengal Nagpur Railway, we have taken up the matter with the Secretary of State.

Mr. Rau.—Only the Bombay, Baroda and Central India Railway are objecting to the principle. The convention is that there should be classification of the rolling stock and that we must act on the general principle that renewals have precedence over additions. Only Bombay, Baroda and Central India Railway say that it is not in consonance with their contract provisions and past practice. We are trying to persuade them that it is not so. The whole thing is at present under correspondence between the Secretary of State and the Board of Directors. Most of the Railways have agreed to it. With regard to other company-managed Railways the only question has been one of classification of details, and I think we can come to some compromise with them.

Sir Guthrie Russell.—Paragraph 20. This is at present under correspondence with the Secretary of State, and he has raised queries.

Mr. Satyamurti.—What is your experience of the Secretary of State ? Does he side with you or with the company-managed Railways ? Ultimately it goes to arbitration if you cannot agree ?

Mr. Rau.—There is an arbitration clause, but it is seldom used.

Mr. Satyamurti.—Can the Railway Board invoke arbitration proceedings ?

Mr. Rau.—We invoke the aid of the Secretary of State, and if he cannot make them agree to a compromise, it goes to arbitration. It is usually the company that asks for arbitration.

Mr. Das.—Can you recover any of the share of surplus profits paid to them ?

Mr. Rau.—Under the contract we can. If any mistake is discovered in the accounts, under the contract it can be rectified.

Mr. Das.—In the past have you had instances where they have paid back ?

Mr. Rau.—Yes ; sometimes the decisions have been in our favour and sometimes not in our favour.

Mr. Satyamurti.—Paragraph 24. When you decided in the Railway Board that this should be abandoned, you anticipated this loss ?

Mr. Rau.—We decided to abandon it to save further loss. The Rs. 31½ lakhs is composed of the following items. The prospecting and purchase of property cost us about 16 lakhs, royalty paid 2 lakhs, colliery equipment 1 lakh, so that the total was 19 lakhs, and interest charges for the period in which we kept the colliery hoping that we might require it sooner or later came to about 10 lakhs.

Mr. Satyamurti.—If you look at the second paragraph, it says, “ In 1923 the Home Boards of the Bombay, Baroda and Central India Railway and the Madras and Southern Mahratta Railway agreed, at the instance of the Railway Board ”. You took the initiative.

Mr. Rau.—The mistake was made when we bought the colliery.

Mr. Satyamurti.—Why ?

Mr. Rau.—At that time the coal prices were so high that the Railways thought that they should have their own collieries.

Mr. Satyamurti.—This was at the instance of the Railway Board.

Mr. Rau.—We asked all Railways.

Mr. Satyamurti.—“ In 1927, when the development of the colliery had hardly commenced, it was decided by the Railway to suspend further development as there was no railway communication to the colliery, and as the outturn of railway collieries was likely to be greater than the requirements ”. I want to know whether the requirements went down in those four years.

Sir Guthrie Russell.—At that time in 1923 the price of coal was Rs. 6-8-0 and the Bombay, Baroda and Central India Railway, estimated

to get coal for Rs. 4-12-0 and save Rs. 7 lakhs a year when the colliery was fully developed. In 1927 the price of coal dropped very considerably and it did not pay to open the colliery. Subsequently the Kurasia Coalfields were developed, these were near Bombay, Baroda and Central India Railway and actually it was cheaper to go on with a colliery in this field than to go on developing this colliery. It was a mistake in 1923, there is no question about it.

Mr. Satyamurti.—You made the mistake first, then you decided to suspend it, and then it took six years to abandon it. What happened in the Railway Board not to abandon it in 1927 when the facts were so clear, and why did you go on paying for these years?

Sir Guthrie Russell.—I do not think that even in 1927 we could have forecasted that coal prices would continue to go down as they are going down now.

Mr. Rau.—The colliery possesses 30 million tons of first class coal; we have already spent about 20 lakhs, and we must think twice before abandoning it altogether and losing everything.

Sir Guthrie Russell.—Paragraph 27 deals with the East Indian, Bengal Nagpur, and Eastern Bengal Railways purchasing American wagons. In 1919 we had to get wagons. At that time special permits were issued for importation and these American wagons were bought. America was the only place where we could get them in those days. They came from America, but they were originally meant for Russia.

Mr. Satyamurti.—“Such as condemnation of unsuitable wagons on an excessive scale”.

Mr. Rau.—What the Director of Railway Audit means is that more wagons had to be condemned in these years as unsuitable than usual owing to the special factors mentioned.

Sir Guthrie Russell.—It was the case that Railways had to get wagons at that time and they were short of wagons, and this was the only place they could get them from.

Mr. Satyamurti.—Paragraphs 32-33. “The material had been inspected and passed by the Consulting Engineers, the contractors were not liable for its replacement”.

Sir Guthrie Russell.—I do not quite agree with the Auditor's Report, because actually these are high voltage insulators, and I do not think you can blame the framers of the specification because it was based on insufficient technical data both as regards the type of insulator and as regards Indian conditions.

Mr. Das.—How much blame was laid at the door of the Consulting Engineers for ordering this type of insulators?

Sir Guthrie Russell.—I do not think there is any question that the specification was not fulfilled. The specification was not good enough for the work for which it was intended. I do not think you can blame the Consulting Engineers, for I believe they inspected them and the inspection was up to the specification. If you know anything about Bombay, the salt from the sea air there comes on to the insulators and that gave all the trouble.

Mr. Das.—If you had chosen the right type of Consulting Engineers, this loss would not have occurred.

Sir Guthrie Russell—I do not think so. They are very famous Consulting Engineers

Mr. Satyamurti—Paragraph 33, “The suppliers do not accept this on the grounds that the supply was made according to the Railway’s specification and stood the necessary test at the time”. Who made the specification?

Sir Guthrie Russell—The Consulting Engineers, the same people.

Mr. Satyamurti—Paragraph 38. It is a matter of accounting

Mr. Sundaram—There has been some delay in adjusting. The Chief Accounts Officer had been waiting for certain inspection reports

Prof. Ranga.—They say this is a very complicated one. Is there any chance of its being disposed of?

Mr. Satyamurti—At page 20, it is said, “The Administration state that they came to a decision in December 1933 with regard to the disposal of the equipment, etc., borne in the Belghuriah Manufacture accounts and also on the Calcutta Chord Railway and Dum Dum junction arrangement account but there was delay in implementing the decision due to the transaction being a very complicated one and also because it involved land relinquishment”. What is the position to-day?

Mr. Rau—It is expected that all adjustments excluding the cost of land will be completed in the current year, 1936-37

Mr. Satyamurti—What about land?

Mr. Rau—As regards land relinquishment, as I explained to you yesterday, we have to depend upon the courts. I cannot say when the final decision will be given

Mr. Satyamurti.—All other accounts will be closed before the end of the year.

Mr. Rau.—Yes, they expect to do that

Mr. Satyamurti.—Paragraph 43. “This heavy loss was occasioned by the defective wording of the agreement. The engineer, who was responsible for the defective wording, is no longer in service”. He has retired with all honours I suppose!

Mr. Satyamurti.—Did they consult legal opinion in this matter?

Sir Guthrie Russell.—Yes.

Mr. Rau.—The point here was that the Court held that, though the contract said that the Chief Engineer was the final authority, he was acting in a quasi-judicial capacity and ought to have heard both sides before giving a final decision.

Mr. Satyamurti.—Paragraph 44. ‘It appears from the arbitration proceedings that in two cases the original records were missing and that there were delays in taking and recording measurements. It was mainly due to these circumstances and to the absence of supplementary or revised agreements drawn up from time to time that a dispute arose and had to be referred to arbitration’. Are these things improving at least?

Sir Guthrie Russell.—The Agent states that the delays in measuring and failure to draw up revised and supplementary agreements were the direct and inevitable result of the endeavour to carry out this new construction with the minimum of supervising staff, in order to keep down the capital cost. These delays and disputes were partly also due to the obstructive tactics adopted by two of the contractors.

Mr. Satyamurti.—Does the Railway Board agree with this explanation ?

Sir Guthrie Russell.—This is a statement of fact.

Mr. Satyamurti.—What about the missing of original records ?

Prof. Ranga.—What action has been taken against these contractors who used these obstructive tactics ?

Mr. Rau.—This was the work of that sort on that Railway and naturally they thought they were quite safe

Chairman.—Is the contractor's name still on the list ?

Sir Guthrie Russell.—If they have not removed their names, we will give the Railway instructions to do so.

Sir Guthrie Russell.—Paragraph 50. The Chief Controller of Stores and the Deputy Controller of Stores who were responsible have been dismissed

Mr. Satyamurti.—The East Indian Railway stores are now in a good condition ?

Mr. Sundaram.—I think so

Mr. Satyamurti.—On what basis is Mr. Sundaram making the statement that the stores are all right now ?

Sir Ernest Burdon.—They have been test-audited.

Mr. Mitra.—There is a continuous test-audit

Mr. Satyamurti.—You are satisfied that it is all right now ?

Mr. Mitra.—Yes.

Sir Guthrie Russell.—There is a new Controller of Stores, Mr. Martin, and he has done a great deal to improve efficiency

Sir Guthrie Russell.—Paragraph 57. What actually happened was this. These fruit consignments were loaded at Chaman between 18 and 24 hours. The train carrying them left at 0-30 hours arriving at Nuttal at 14 hours the same day. After the first fruit train was held up at Nuttal it was estimated that by 14 hours the next day the breach would be repaired as the flood water showed signs of subsiding. Therefore there was no question of stopping the booking. The repairs could not however be carried out as early as was expected. They were completed in time to allow two mail and two passenger trains, which had by then overtaken the fruit train and which had to be given preference, to be passed. After these passenger trains were passed and before the fruit trains could be passed a second flood washed out the repair work already accomplished. The third lot of fruit left Chaman at about this time. As the ice in the bunkers of the vans had melted, it was considered advisable to send the fruit trains to the cooler climate of Quetta instead of keeping them at

Nuttal where it was very hot. The vans were not opened until it was decided to sell the fruit. As it was not thought useful to send the fruit on a long hot journey without being re-iced, it was sold in the best interests of the merchants and the sale proceeds and unearned portion of the freight was offered to them in accordance with previously accepted practice. The officer did not know the law.

Mr. Satyamurti.—This is railway law and he ought to have known it. Should you not punish the railway officer who did not know the law ?

Sir Guthrie Russell.—When the case was decreed against the Railway, they took the opinion of the Government Advocate, Lahore, and also their legal officer at Karachi. He was not sure whether the Judge was quite correct but advised against appeal on account of the costs of appeal. Any man with a train load of fruit which he knew perfectly well was going bad,—the right thing to do was to save the fruit.

Mr. Satyamurti.—But he must also save the Railway from loss.

Mr. Satyamurti.—Page 48, paragraph 101. Have you got any further information on these outstanding points ?

Mr. Rau.—We are informed that the Chief Goods Clerk has been arrested. The Inspector of Station Accounts is under trial and the question of gratuity to him as well to others involved in this case depends upon the results of the trial.

Mr. Satyamurti.—With regard to paragraph 110, may I know why the Railway Board gave up the claim for Rs 20,000 ? Who is responsible ? Is it not possible to trace the man and punish him, if he is living ?

Mr. Rau.—This thing started in 1917. It is really a war case.

Mr. Satyamurti.—Are there no records to prosecute the man concerned ?

Mr. Ramsay Scott.—Paragraph 111. May I know if it is not possible to terminate these agreements ?

Mr. Rau.—We have consulted the legal advisers and we are told that it is not possible to terminate the agreements except in certain circumstances.

Mr. Satyamurti.—Are any such agreements still going on ?

Mr. Mitra.—No.

Mr. Satyamurti.—Will you take steps to revise them ?

Mr. Rau.—We are advised that it is not possible to do it. We can consult our Solicitor here.

Prof. Ranga.—With regard to 112, has anything been done to convert the line into a broad gauge line ?

Sir Guthrie Russell.—This is a case of a road project and we hope to meet the view point of the Local Government. The proposal to construct a broad gauge line is under consideration.

Prof. Ranga.—With regard to paragraph 114, may I ask why the engineering authorities of four Railways have not found it possible to give clear certificates as to the standard of maintenance of the assets.

Sir Guthrie Russell.—(Read out copies of certificates). These certificates are supplied every year.

Prof. Ranga.—Were they placed before the Director of Railway Audit? Was he satisfied?

Sir Guthrie Russell.—The Director of Railway Audit is perfectly right in pointing out that some of these certificates have been qualified. Of course they have been qualified in some respects. There is no question of safety being involved and that is the main thing.

Prof. Ranga.—Who issues these certificates?

Mr. Rau.—They are issued by the Senior Government Inspector who is appointed by Government.

Sir Ernest Burdon.—May I here, Mr. Chairman, make a few remarks of a general nature in regard to these irregularities. I think a few years ago the same general question was raised more particularly in connection with the Civil Appropriation Reports and Audit Reports and I think the Government of India in the respective departments issued orders, after the meetings of the Public Accounts Committee, drawing the attention of the various departmental authorities to adverse comments which have been made as regards particular transactions in the various Appropriation Accounts and Audit Reports and impressing on them the necessity to read these comments. Even if their attention is not specifically drawn to particular comments, they are expected to take heed and take a warning.

Mr. Rau.—We do that every year.

Sir Ernest Burdon.—The Railways are an enormous organisation. They are represented here by the headquarters people and Agents never come before the Public Accounts Committee and I sometimes wonder whether any impression is made on them by these unsatisfactory cases being discussed. It is hardly possible to bring every individual case into the Report but I take it that the attention of the proper authorities is drawn to each item with a view to avoiding this irregularity.

Mr. Rau.—We draw the attention of every Railway Administration to the points mentioned in the Report and we draw their special attention to the more important and serious cases which have been commented on by the Public Accounts Committee.

Sir Ernest Burdon.—I presume that is being done, Sir Guthrie?

Sir Guthrie Russell.—I can assure you on that point. This Report is very much smaller than it used to be a number of years ago.

Sir Ernest Burdon.—I do agree with you there.

Mr. Salyamurti.—Paragraphs 131, 132 and 133. Your general conclusion is that everything is all right and that everybody is happy?

Sir Ernest Burdon.—We have got very definite instructions under which the Director of Railway Audit is required to search his conscience and to express his general opinion very conscientiously. On previous occasions it has been left to the Public Accounts Committee to draw their own conclusions from a mass of heterogeneous material. As a matter of principle that is not correct and I think that the Auditor ought to express some general opinion on the results disclosed by the year's working.

Mr. Satyamurti.—I should like to put his conscience one or two questions. What is the standard he has in mind having regard to the multitude, variety and magnitude of the transactions on Railways?

Sir Ernest Burdon.—Having regard to the limits of human capacity, I think he has expressed his view as any reasonable man would have done.

Mr. Mitra.—These are based on my own experience of 25 years and I can confidently say this with some authority.

Mr. Satyamurti.—My standard is a little higher. That is all I can say.

Sir Guthrie Russell.—I have had experience of contracts in England and I can tell you that our record is very much better.

Mr. Satyamurti.—The reason probably is that we are less exacting in our standards.

I will put a question on paragraphs 15 and 16. I merely want to know what is being done about the control of expenditure.

Mr. Rau.—As regards this question of reappropriation we have dealt with it in the circular letter which I read yesterday.

Mr. Satyamurti.—Paragraphs 28 and 29. May I know why the materials were manufactured long before they were required?

Sir Ernest Burdon.—This is obviously undesirable.

Mr. Rau.—It has been admitted by the Chief Engineer himself that it is irregular.

Mr. Satyamurti.—Has any attempt been made to trace the culprits and bring the charge home to them?

Mr. Rau.—They were not in a position to anticipate at the time that all construction work would be closed down suddenly. There was a sudden debacle in 1928 and 1929 as a result of which all our capital expenditure had to be cut at a moment's notice.

Mr. Satyamurti.—My point is why did he manufacture the materials long before the works were sanctioned?

Sir Guthrie Russell.—The real explanation is that the world depression started and we had to cut down our capital programme suddenly. But the bricks have been and are being used now for open line works. We have been told that the officers responsible for this have all left the Railways.

Prof. Ranga.—There is some mention of new bridge rules in paragraph 30. Do you think that this loss is due in any way to frequent changes of rules?

Sir Guthrie Russell.—Under the new standard dimensions they started work on rebuilding the bridge and making preparations. Meanwhile owing to the slump work on the yard stopped and they stopped work on the bridge. Later on, a new bridge was found to be necessary. I do not agree that this was a loss.

Mr. Satyamurti.—Paragraph 39. Do the Railway Board now agree that unless the lowest tenders are accepted, there should be a satisfactory explanation furnished and that some higher authority should look into it?

Mr. Rau—The Agent in this case communicates his reasons to the Chief Accounts Officer and if he is not satisfied he is at liberty to represent the matter to the Financial Commissioner.

Prof. Ranga.—Paragraph 39. What is the position as regards the black list of contractors?

Sir Guthrie Russell—We took one matter up with the Eastern Bengal Railway.

Mr. Satyamurti—Paragraph 51. The excess here still remained unregularized so that excesses have been continuing from 1929. Is that another example of "adequacy"?

Sir Guthrie Russell.—We took exception to the action of the Administration and we agreed entirely with the Home Board.

Mr. Rau.—We are sanctioning the revised estimate now, so this will be finished.

Mr. Satyamurti.—Paragraph 60 : Catering Department. On the South Indian Railway, for instance, the European Refreshment contractors are charged nominal rates although they enjoy the best rooms in the platform, whereas my Indian refreshment rooms are put in a hole and are charged enormous sums. This is not satisfactory?

Sir Guthrie Russell.—The fact is that Spencers make so little and unless they were charged these rates, there would be no refreshments at all at the stations.

Mr. Satyamurti.—Give us equal rates. Give me a concession also, that is my point. I must also protest against the small compartment for our dining saloon on the Great Indian Peninsula Railway. It is actually too congested : sometimes there are fifty in a small room.

Sir Guthrie Russell.—I do not know what the number is but for the first year I believe the sales were an average of one cup of tea a week.

Mr. Satyamurti—On the South Indian there is much better food but on the Grand Trunk Express it is bad. I hope the Railway Board will look into the matter of equal charges for European and Indian refreshments.

Sir Guthrie Russell.—Our general aim is to charge a very low rent so that all the money can be spent on giving good food. That is of course on the State Railways.

Mr. Rau.—The whole question of catering arrangements is being placed before the Central Advisory Council.

Mr. Ramsay Scott.—I had occasion once to have dinner in the Hindu restaurant at Delhi and I may say I got a very much better dinner than in the European one upstairs.

Chairman.—There are excellent Mohammedan refreshment rooms in the Punjab.

Mr. Satyamurti.—Paragraph 115 at page 55. Vizagapatam Harbour : I suppose we shall take up its management and loss with the Commerce Department?

Sir Ernest Burdon—As a matter of convenience up-to-date accounts of the Vizagapatam Harbour have been kept by an officer working under the supervision of the Director of Railway Audit. The Accounts and Audit Officer will come under one of the Civil Accountants-General and he will be required to prepare proper commercial accounts. The fullest information will then be given.

Prof. Ranga—Sub-paragraph 3 of paragraph 3 of Financial Commissioner's Memorandum Stores Purchases Quarterly reports containing full reason for all cases where orders are placed for articles of foreign manufacture. Instead of asking them to render to you a *post mortem* account, is it not advisable for you to require them to first of all seek your sanction before they accept foreign tenders?

Sir Guthrie Russell—A large number of purchases are made by the Railway Board. The cases of rails and wagons and locomotives and such like come up to the Railway Board and the tenders submitted to the Railways concerned are sent up to us with their recommendations, it is for the Railway Board to decide whether a tender for an indigenous manufacture is suitable or what price preference is reasonable. Of course we have no control whatsoever over the company-managed Railways; under the contract they have got full powers.

Mr. Satyamurti—Page 1 of the Financial Commissioner's Memorandum of the policy of the Railway Department about stores purchases. Does Government pay them any compensation if they buy Indian material?

Sir Guthrie Russell.—In the case of certain materials, if we ask companies to purchase indigenous articles there is an adjustment in the profit and loss account. Under the contract they have a right to place that order in the cheapest market. If it is placed in India at our request or under our orders and there is a difference in price, an adjustment is made in the profit and loss account.

Mr. Satyamurti—Are there exceptions in which they need not come into line with you?

Sir Guthrie Russell.—For big things like rails, fish plates, sleepers, the purchase of steel sleepers, a reference is made to us.

Prof. Ranga.—Paragraph 3, sub-paragraph 2, purchase of locomotives. Are there any instances in which they refer to you before they purchase foreign materials?

Sir Guthrie Russell.—In the case of big things like carriage and rail fittings, locomotive fittings and so on they refer to us.

Prof. Ranga.—Do you see that the price preferences fixed are reasonable?

Sir Guthrie Russell.—There are thousands of cases and it is impossible to check everything. We get a report and if we think that in any case their attitude is unjustifiable, we take it up with them.

Mr. Satyamurti.—Paragraph 191. How does the matter stand now?

Mr. Rau.—In paragraph 3 (3), this was one of the recommendations and we have accepted it.

Sir Guthrie Russell.—We now purchase more and more through the Indian Stores Department in the case of practically all the big things except, for example, non-ferrous metals, and they settle the price. They give the price preferences.

Mr. Satyamurti.—There is a statement here showing the value of stores purchased by the State and company-managed railways. There are three categories, (a), (b) and (c). I want to know whether the Railway Board have examined this question under (a) and (b) and are satisfied that these are all stores which cannot be purchased or manufactured in India even with the price preferences.

Sir Guthrie Russell.—So far as the State-managed railways are concerned, yes.

Mr. Satyamurti.—Are you constantly exercising your pressure??

Sir Guthrie Russell.—We are always trying to persuade them.

Prof. Ranga.—Paragraph 119 . system of bulk purchases : what is the position ?

Mr. Rau.—We meet the Indian Stores Department every six months and we decide whether any more items can be usefully handed over to the Indian Stores Department for purchase.

Sir Guthrie Russell.—Every six months the Chief Controller of Stores brings up the list. We go into details with him and decide where we should purchase.

Prof. Ranga.—Since you are the biggest purchaser of some of these things, and since very often you agree to pay a higher price for Indian as against foreign goods, have you ever tried to insist upon these people improving their efficiency? We cannot subsidize these people eternally and we must certainly insist upon improvement of their efficiency.

Sir Guthrie Russell.—One of the main tasks of the Central Standards Office is to standardise articles with the object of enabling Indian companies to compete against foreign manufacturers.

Prof. Ranga.—What is your experience of the last few years?

Sir Guthrie Russell.—We are purchasing many things quite easily in India now and the prices also are coming down, and the quality is improving.

Mr. Satyamurti.—We are told that the railway policy is being used to dump manufactured goods in India and to export raw products to foreign countries, and especially your country. We are told that the railway policy is in favour of importing foreign articles and exporting raw products. Is that so?

Sir Guthrie Russell.—Our researches, and we went into the allegation very thoroughly, do not bear that out.

Mr. Satyamurti.—Historically speaking, however, you admit that this was so at the beginning?

Sir Guthrie Russell.—The position was different at the beginning when there was practically no manufacture in India.

Mr. Satyamurti.—But since then, conditions have changed radically.

Sir Guthrie Russell.—Yes.

Mr. Satyamurti.—I merely want to ask one question, whether the detailed examination—*vide* paragraph 9—made by the Railway Board does not indicate that any of these rates is detrimental to Indian industries.

Sir Guthrie Russell.—Mr. DeSouza and we went thoroughly into the matter and our investigations do not bear that allegation out, of course there are one or two cases like wheat to Karachi where there is a rebate on export, and that is to help the wheat grower.

Mr. Satyamurti.—In revising tariffs, do the Railway Board keep in mind that there should be no room for this allegation?

Sir Guthrie Russell.—I agree. But except in the case of wheat to Karachi, manganese, coal and pig-iron, we have not been able to trace any other case, all these special rates are given to benefit the Indian producer.

Prof. Ranga.—Hand-loom weavers have to import yarn from foreigners as well as the Indian cotton mills, but the former feel that they are made to pay higher rates on the finished products. How is that?

Sir Guthrie Russell.—You see khaddar takes up more room. Yarn, if it is packed in exactly the same way in all cases, must be charged exactly the same rate. Khaddar and hand-loom cloth take up more room and are charged higher rates.

Prof. Ranga.—Handloom weavers complain that weaving mills can get their yarn from spinning mills at lower rates than the hand-loom weavers.

Mr. Ramsay Scott.—I think recently you have been encouraging the import of sugar into Kathiawar by reducing rates from the United Provinces to Kathiawar?

Sir Guthrie Russell.—The idea is to get Indian sugar into the ports cheaper than Java sugar.

Mr. Satyamurti.—There is an excellent memorandum which has been sent to us regarding the supplementary grants showing the steps taken to increase budget control and regularize supplementary grants.

Mr. Das.—This report by Mr. Rau is one of the finest reports that I have seen. I hope the Railway Board will continue to produce reports of the same standard.

Mr. Satyamurti.—I should like the Committee to express its appreciation on the excellent note that has been presented to us.

Mr. Satyamurti.—Now, I want to ask one or two questions on the Secretary of State's Report in order to get more information with regard to Railways. Do these gentlemen come into the picture?

Sir Ernest Burdon.—The Home Auditor does that. But you can ask questions.

Mr. Satyamurti.—Page 3. What is the arrangement under which, you agree to a figure? Does it correspond to facts or is it an arbitrary figure?

Mr. Rau.—What the Auditor means apparently is this that the total amount of money is spent in sterling on stores, etc., in England. But when the stores come in here it is not possible for the India Office to say whether they are used here on capital account or on revenue account.

Mr. Satyamurti.—What about the pensionary charges in respect of the railway employees ?

Mr. Rau.—Some military officers are employed by the Railways and when they finally retire they get a pension and for that portion of their service which was on the Railways we bear a proportionate share.

Mr. Satyamurti.—Then I want to ask one or two questions with regard to these outstanding points. With regard to the first point regarding military traffic, Government have decided that these concessions should continue. Why have you done so without consulting us ? Since 1928 we have been dealing with it and before we could be consulted Government coolly says that this thing should be continued.

Mr. Rau.—The Committee desired last year that a decision should be reached by Government on this question as early as possible.

Mr. Satyamurti.—We will take up this matter when the Finance Member returns. What about this postal service ?

Sir Guthrie Russell.—The present position is that the postal authorities have certain claims against us and we have certain claims against them and we are dealing with them.

Mr. Satyamurti.—Then about this rail-road policy. We have got a memorandum on this subject.

Mr. Das.—I would like to know the exact position as to what the Provincial Governments and the Government of India are going to do ? Have they agreed to levy a uniform tax all over India ?

Sir Guthrie Russell.—The Government of India propose to introduce in the next session of the Legislature an enabling Bill which will enable the Provinces to bring in their own Acts for controlling motor traffic. It is generally agreed that if a passenger vehicle has its home in one Province it should only be charged one tax.

Mr. Das.—Is it fair that private motor lorries plying on behalf of private industries should be taxed to the same extent as the public motor vehicles ?

Sir Guthrie Russell.—Yes, because there is much swindling at the present moment. Private motor lorries are taking a considerable amount of public traffic. If they do the business of one man only, all is well and good. But if they are caught carrying public traffic, they will have to pay the same tax as the public vehicles pay.

Mr. Das.—You do not want to make the motor vehicle tax uniform ?

Sir Guthrie Russell.—I thought we were here for the interests of the Railways. That is our main object.

Mr. Satyamurti.—I would like the Railway Board to realise this fact that after all you can meet this competition only by efficiency. You cannot depend upon the strong arm of the Government. The public will be against you.

Sir Guthrie Russell.—We must improve ourselves.

Mr. Satyamurti.—You can only survive if you are fitter.

Sir Guthrie Russell.—I have already said that if we can get a fair field we can improve our services and give the public better service. But unfortunately we do not get a fair field.

Prof. Ranga.—You have done very little to improve the lot of the third class passengers. In spite of this competition you do not seem to be improving in your manners?

Sir Guthrie Russell.—You read this document and you will find what we have done for the third class passengers. (The document was handed over to Mr. Satyamurti.)

Chairman.—Is the third class passenger really better off when he travels by bus?

Mr. Satyamurti.—He is taken from his house and is brought to his house.

Mr. Rau.—The risks are much greater and he cannot get the same convenience which he gets if he travels by the railway.

Sir Guthrie Russell.—The number of people who are killed in these buses is about 60 a month, whereas in the case of railways one year none was killed, in another year 7 were killed and in the next two years about 23 were killed.

Chairman.—All that is required is that the railway officials should show a little more courtesy to the railway passengers. I have noticed that the Indian officials do not behave properly. My complaints are more against Indian officials than against Europeans. Last year there were two occasions when I had to send dead bodies by train and I found that European officials were extremely courteous and were willing to do everything while the behaviour of the Indian guard was most objectionable. Also the porters were very courteous and they did not take a pice for carrying the coffins.

Mr. Satyamurti.—Page 9 of the red book. You must try and pull up the Bengal Nagpur Railway. They charge the highest fares.

Sir Guthrie Russell.—Actually, the cost of haulage on the Bengal Nagpur Railway is the lowest in India except the East Indian Railway. They have got more difficulties to face. They have very much heavier gradients.

Mr. Satyamurti.—I draw your attention to para. 9 of Mr. Rau's Report, top of page 5. I think you will admit that the present state of the Railways is largely due to this foolish fever. Supposing by luck you get some profit, will you again suffer from this foolish fever?

Sir Guthrie Russell.—As long as I am here they will not get this fever. You must remember that there were two Railway Commissions and the trend of both Reports was that India must spend money if she wants her Railways to prosper. If you will read some of the debates in the Assembly you will find that every Party said that we must have a huge capital programme and they voted 150 crores.

Chairman.—But even in these days of adversity you are going to build a new station at Aligarh. Could you not add some more platforms to the present station?

Mr. Rau.—They could not widen the railway station, but we will look into the matter.

Prof. Ranga.—You should certainly undertake the construction of railways wherever they are found to be profitable.

Sir Guthrie Russell.—We are going into the financial implications of different railway lines in different Provinces.

Chairman.—Profitable projects must be put through because no civilised country can go on without expanding its Railways.

Mr. Rau.—When we ask the Railways to prepare their capital programme, we ask them to show separately those works which are absolutely essential from the point of view of administration and those which are remunerative and we divide the money that is available accordingly.

Prof. Ranga.—You also ask them to show what their new schemes of development are ?

Mr. Rau.—Yes.

Mr. Satyamurti.—Para 61 of Mr. Rau's Review, annexure J of the Appropriation Accounts. I hope steps are being taken to correct this. This is a mischief which ought not to happen with an efficient officer.

Sir Guthrie Russell.—We are trying to improve the state of things.

Mr. Satyamurti.—Para. 66. I see that the matter is being further discussed with the Auditor-General.

Mr. Rau.—The Auditor-General has decided that it is the best thing though he does not agree that it shows it quite correctly. He thinks that we can continue the present method till the question of the loss is finally settled.

Sir Ernest Burdon.—That is so

Mr. Satyamurti.—Page 39. As regards stores, Mr. Rau says it is 40 per cent. I take it that the Railway Board would work up to 40 per cent.

Mr. Rau.—As a matter of fact, it is 45 per cent. at present. But the ideal is to reach 40 per cent. as early as possible.

Sir Guthrie Russell.—One of the reasons why our stores balances are dropping is that we are buying more in the country. In the old days we imported six months' or a year's supply at one time. Now we get Indian manufactured stores for two months' supply.

Mr. Satyamurti.—Are the Railways attending to the publicity work in this country ? Are they applying their minds to advertising the beauty spots in this country ?

Sir Guthrie Russell.—Yes. I will send you a package of pamphlets that are broadcast throughout the world.

Mr. Satyamurti.—You ought not to stint money on this.

Sir Guthrie Russell.—I am glad you agree with us.

Chairman.—Before we disperse, we have to thank the Chief Commissioner and the Financial Commissioner and the other members of the Railway Board for the way in which they have answered our questions during the last three days.

The Committee adjourned till 2-30 p.m. on Thursday, the 23rd July 1936.

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REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF 1935-36

Volume I—Report

Part II—Railways



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⁺ Part I of the Report and Proceedings deal with the Civil Accounts.

(ii)

Composition of the Public Accounts Committee, 1937.

Chairman.

1. The Hon'ble Mr. J. C. Nixon, C.S.I , C.I.E., I.C.S. Finance Member.

Elected Members.

Date of election.

- | | | | | | |
|--|----|----|----|----|------------------|
| 2. Mr. B. Das | .. | .. | .. | .. | 23rd March 1937. |
| 3. Prof. N. G. Ranga | . | . | .. | . | 23rd March 1937. |
| 4. Sirdar Jogendra Singh | .. | .. | . | | 23rd March 1937. |
| 5. Mr. J. Ramsay Scott | .. | .. | .. | | 23rd March 1937. |
| 6. Captain Sardar Sir Sher Mohammad Khan, Kt., | | | | | 23rd March 1936. |
| C.I.E., M.B.E. | | | | | |
| 7. Mr. S. Satyamurti | . | .. | .. | . | 23rd March 1936. |
| 8. Maulvi Sir Mohammad Yakub, Kt. | . | | .. | | 23rd March 1936. |
| 9. Bhai Parma Nand | .. | . | .. | .. | 23rd March 1936. |

Nominated Members.

Date of Nomination.

- | | | | | |
|--|----|----|----|------------------|
| 10. Dr. R. D. Dalal, C.I.E. | .. | .. | .. | 30th April 1935. |
| 11. Khan Bahadur Shaikh Fazl-i-Haq Piracha | .. | | | 30th April 1935. |
| 12. Khan Bahadur Sir Abdul Hamid, Kt., C I.E., | | | | 15th July 1937. |
| O.B.E. | | | | |

Report of the Public Accounts Committee¹.

PART II.—RAILWAY ACCOUNTS.

Financial results of the year.—The following table compares the original and revised estimates with the actual expenditure incurred during the year under report :—

	(Lakhs of rupees.)		
	Budget.	Revised.	Actuals
(1) Traffic receipts (less refunds)	93.50	90.00	90.65
(2) Miscellaneous receipts ..	2.02	2.11	2.13
(3) Working expenses ..	64.43	64.01	64.12
(4) Miscellaneous expenditure	1.30	1.27	1.26
(5) Interest charges ..	31.69	31.37	31.39
(6) Surplus (+) or Deficit (—)	—1.90	—1.54	—3.99
(7) Contribution to general revenues ..			.
(8) Payments to (+) or withdrawals from (—) Reserve ..			.
(9) Loans from Depreciation Fund ..	1.90	1.54	3.99

It was thus necessary to meet a deficit of 3.99 lakhs, as compared with 5.06 lakhs in the previous year, by a loan from the depreciation fund, and the Railways were again unable to make any contribution to general revenues.

2. *Excesses over voted grants* —There were four excesses over voted grants as compared with six in the previous year .—

	Final Grant.	Actual expenditure	Excess.
	Rs.	Rs.	Rs.
1. Revenue—Railway Board	8,54,000	8,67,928	31,928
4. Revenue—Refunds	12,00,000	13,88,639	1,88,639
6-C. Revenue—Working Expenses—Maintenance of carriage and wagon stock	6,19,50,000	623,36,138	3,86,138
11. Capital—New construction	26 00,000	29,01,375	3,01,375

Brief explanations of these excesses are given below :

Demand No. 1.—The excess was mainly due to an adjustment after the close of the year in respect of care-taking and departmental charges for office accommodation relating to the years 1930-31 to 1932-33

Demand No. 4.—It is not possible to budget accurately for refunds. The excess occurred mainly on the North-Western Railway and was partly the result of an increase in traffic booked to Afghanistan

Demand No. 6-C —The excess represents less than 1 per cent. of the total grant. It was due to increased expenditure during the latter part of the year on repairs to coaching and goods vehicles and on the overhauling of old stock.

Demand no. 11—It was found possible towards the close of the year to proceed more rapidly than had been anticipated with the construction of a bridge on the Assam-Bengal Railway.

We recommend that the necessary excess grants be voted by the Legislative Assembly

3. *Irregular reappropriations and special items of expenditure.*—Rule 52 (2) of the Indian Legislative Rules requires us to bring to the notice of the Assembly every reappropriation from one grant to another, every reappropriation within a grant which is not made in accordance with the rules prescribed by the Finance Department, and any items of expenditure which the Finance Department may request us to bring specially to notice. We have no items to report under any of these heads

4. *Minutes of Proceedings.*—We append the minutes of our proceedings which we desire, as usual, to be regarded as a part of our report. In the following paragraphs we shall refer only to some of the more important questions considered in the course of our discussions.

5. *Accuracy of budgeting and control of expenditure.*—The accounts of the year show a total saving of Rs. 57·46 lakhs or ·56 per cent. under revenue expenditure (exclusive of withdrawals from the depreciation fund) and a saving of Rs. 3·24 lakhs or 21·57 per cent. under capital expenditure. This compares as follows with the results achieved in the four preceding years :—

				(Lakhs of Rupees)		
Year.				Final grant and appropriation	Savings (—) or Excess (+)	Percentage of column (3) to column (2)
<i>Expenditure charged to revenue (excluding appropriations to and from the depreciation fund).</i>						
1931-32	.	.	.	1,01,38	—4,24	4·18
1932-33	.	..	..	97,36	—37	·38
1933-34	.	.	.	96,81	—4	·04
1934-35	..	.	.	1,02,48	+5	·05
1935-36	.	..	.	1,02,85	—57	·56
<i>Expenditure charged to capital and depreciation fund.</i>						
1931-32	.	..	.	29,18	—4,95	16·96
1932-33	..	..	..	19,55	—2,66	13·60
1933-34	..	..	..	17,34	—3,03	17·42
1934-35	..	..	..	19,25	—4,84	25·14
1935-36	..	.	.	15,02	—3,24	21·57

The position appears to be satisfactory so far as revenue expenditure is concerned, but there is still considerable room for improvement in connection with capital grants. We hope that the Railway Board in their discussions with the Agents of the various Railways will emphasise the importance of more accurate budgeting. We also wish to draw attention to our recommendation that lump cuts should be more freely applied in cases where past actuals indicate repeated savings under a particular head.

As in the case of the Civil Appropriation Accounts, we observed that a considerable number of variations were due to accounting changes made during the course of the year, and we wish to draw attention to what we have said in this connection in part I of our report.

6. *Explanations given in the Appropriation Accounts and in the Railway Audit Report*—In some cases it might have been unnecessary to obtain further information verbally from the witnesses if the explanations given in the Appropriation Accounts had been more illuminating. We hope that the administrative and accounting authorities will collaborate in attempting to secure an improvement in this respect in future years.

It would also be useful from our point of view if in connection with the lists of questionable reappropriations, etc., the Director of Railway Audit would in future indicate in addition which of the items he still regards as unsatisfactory after considering the explanations of the administrative authorities.

7. *Revision of Railway Codes*—We attach considerable importance to this work and we were gratified to learn that satisfactory progress is now being made. We hope that it will be possible to complete the revision of all the Codes before the meetings of next year's Committee.

8. *Capital at charge of Railways*.—We discussed at some length the reduction of Rs 8·31 crores in the capital at charge of the Railways on account of the application of the current statutory rate of exchange to yet unliquidated liabilities which had previously been converted at the rates in force at the time when they were undertaken. Some of us consider that even if this decision was in accordance with correct accounting principles the burden of the interest charges in respect of the amount in question should not in present circumstances have been transferred from the Railways to the general taxpayer.

9. *Saloons maintained for the use of railway officers*.—We find it somewhat difficult to believe that it is really necessary to maintain as many saloons for the use of railway officers as exist at present. We attach considerable importance to our recommendation that the possibility of reducing the number of such saloons should be further investigated, and that pending the completion of the enquiry no further expenditure should be incurred on renewals.

10. *Free passes for railway officials*—We were informed that since the general retrenchment the issue of free passes to railway officials had been restricted to a considerable extent. As, however, no recent information is available regarding the number of passes actually issued, we consider it desirable that a census should be taken as soon as this can conveniently be done, and we hope that the results of the census will be reported as early as possible.

11. *Regrouping or amalgamation of Railways*—In response to a request made by our predecessors an interesting note was supplied to us on this subject (appendix VIII). However, we think that before final decisions can be arrived at, still further information will be required. On the information available to us we are inclined to favour amalgamation in principle provided that it offers financial advantages or at least means no financial deterioration.

12. *Encouragement of third class passenger traffic*.—We were gratified to learn that this matter is receiving the constant attention of the railway authorities. We hope that our suggestion with regard to the use of Indian languages

in connection with railway time-tables and notices will receive attention, and that the Railway Board will not relax their efforts to improve the amenities provided for third class passengers.

13. *Financial position of the Railways*—After we had completed our detailed examination of the Appropriation Accounts and connected documents the Chief Commissioner was good enough to give us a statement (appendix XIII) regarding the financial position of the Railways. We note with satisfaction that the figures for 1936-37 represent an improvement of about Rs 5½ crores over those of the year under report, and that the figures so far available for the current financial year indicate a still further increase in railway revenues. We hope, however, that the Railway Board will not lose sight of the need for effecting all possible economies, and that they will continue their efforts to achieve a satisfactory solution of the problem of road-rail competition.

14. *Wedgwood Committee's Report*.—We also discussed at our final meeting the report recently submitted by the Wedgwood Committee, which was appointed as a result of a recommendation made by last year's Public Accounts Committee. We feel considerable disappointment at the conclusions reached by the Committee with regard to the financial prospects of the Railways, and we find difficulty in reconciling these conclusions with the information which was supplied to us regarding the continued improvement in railway revenues. A majority of us dissent strongly from certain of the proposals made by the Committee, and have appended a minute (pages 22—28) expressing our views and recommending that Government should take no action on the more important proposals until the report has been considered by the Legislature.

15. *Acknowledgments*.—We wish to thank the Auditor-General for the very great assistance which we have received from him throughout our proceedings. We also wish to place on record our appreciation of the efficient service rendered to us by Mr. Shearer as Secretary to the Committee.

J. C. NIXON.

B. DAS.

N. G. RANGA.

JOGENDRA SINGH.

SHER MOHAMMAD KHAN.

S. SATYAMURTI.

MOHAMMAD YAKUB.

BHAI PARMA NAND.

R. D. DALAL.

ABDUL HAMID.

FAZL-I-HAQ PIRACHA.

J. B. SHEARER,

Secretary.

7th August 1937.

**Proceedings of the first meeting of the Public Accounts Committee held on
Wednesday, the 21st of July 1937, at 2-30 p.m.**

PRESENT :

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E., I C.S., Finance Member.	} <i>Chairman.</i>
Mr. B. DAS.	
Professor N. G. RANGA.	
Sirdar JOGENDRA SINGH	
Captain Sardar Sir SHER MOHAMMAD KHAN, KT., C.I.E., M.B.E.	} <i>Members.</i>
Mr. S. SATYAMURTI.	
Maulvi Sir MOHAMMAD YAKUB, Kt.	
Bhai PARMA NAND.	
Dr. R. D. DALAL, C.I.E.	
Khan Bahadur Sir ABDUL HAMID, KT., C.I.E., O.B.E.	
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.	} <i>Witnesses.</i>
The Hon'ble Sir GUTHRIE RUSSELL, K.C.I.E., Chief Commissioner of Railways	
Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner, Railways.	
Mr. T. S. SANKARA AIYAR, Director of Finance.	
Mr. H. CARTER NORBURY, Controller of Railway Accounts.	
Sir ERNEST BURDON, K.C.I.E., C.S.I., I C.S., Auditor- General.	
Mr. B. N. MITRA, Director of Railway Audit.	
Mr. A. J. RAISMAN, C.I.E., I C.S., Finance Secretary.	

The Committee first considered the statement showing action taken or proposed to be taken on previous recommendations.

2. *Lump cuts made in the estimates by the Railway Board.*—The Chief Commissioner stated that in connection with these cuts the Railway Board discriminated between Railways, making larger cuts in the case of those whose estimates have been found to be less accurate. The Committee agreed that such

discrimination was desirable and desired to have further information regarding the working and results of this system. The Financial Commissioner agreed to consider what further information on the subject could usefully be supplied.

3. *Review of the Appropriation Accounts*—At this stage a member of the Committee drew attention to the fact that the Review of the Appropriation Accounts, which in previous years had been issued in the name of the Financial Commissioner, was now issued in the name of the Chief Commissioner of Railways. It was explained that this year's Review had in fact been written, as in the past, by the Financial Commissioner and had been subsequently accepted by the Chief Commissioner. There was therefore no real change of procedure, and it could be assumed that while the Railway Board had made themselves formally responsible for the publication it still represented the views of the Financial Commissioner. It had been considered desirable on the other hand that the officer who was mainly responsible for the spending of the money should accept responsibility for the Review, and the Auditor-General had agreed that this procedure was correct in principle.

4. *Delay in the submission of completion reports*.—The Chief Commissioner stated that on the average there had been a distinct improvement in this respect. The Committee, however, desired to receive a further report next year with regard to the effect of the orders recently issued (appendix III).

5. *Revision of Railway Codes*—The Financial Commissioner stated that Mr. K. C. Srinivasan, the officer who had been placed on special duty for the purpose of revising these Codes, was making good progress and hoped to complete most of the Codes before the end of the current calendar year. The Committee agreed that this was satisfactory but wished to have a further report on the subject next year.

6. *Recommendations made by the Pope Committee*.—It was explained that the report on this subject had not been included in the Review because it was considered that the Review should as far as possible be confined to questions directly connected with the Appropriation Accounts. The report had however been submitted separately (appendix IV). The Committee presumed that such reports would continue to be submitted for the present.

7. The consideration of some other items in the statement was postponed since the Committee had not had time to study the explanatory memoranda issued by the Railway Board.

Comments of the Auditor-General on the Appropriation Accounts (Appendix II).

8. *Capital at charge of Railways*.—Paragraph 4 of the Auditor-General's letter was the subject of considerable discussion. It was explained that the reduction of 8.31 crores in the capital at charge of the Railways was due to the application of the current statutory rate of exchange to liabilities which had previously been converted at the rates in force at the time when they were undertaken. The Auditor-General stated that he had been satisfied that this writing down was in accordance with correct accounting principles, and it was mentioned that the liabilities charged to general revenues had been similarly written down when the present rate of exchange was fixed. Mr. Satyamutri, however, argued that it was not justifiable in present circumstances to transfer from the Railways to the general taxpayer the interest

charges on the amount in question. When a vote was taken five members supported this view, three did not wish to express any opinion and two (apart from the Chairman) supported the Auditor-General's decision.

9. *Allocation of expenditure on rolling stock*—The Financial Commissioner explained that the convention on this subject had been accepted by all the Railways except the B. B. & C. I. The question had recently been referred to the Secretary of State, and the Railway Board were doing everything possible to reach a settlement.

Chief Commissioner's Review of the Appropriation Accounts

10. In connection with the figures given in paragraphs 3 and 15 of the Review, the Chairman suggested that the revised estimates as such should not be shown in this connection, and that it should be considered whether it would not be more appropriate to give the final appropriation less surrenders. The Auditor-General agreed to consider this question.

11. *Paragraph 16*.—The Committee agreed to recommend an excess vote under "Maintenance of carriage and wagon stock".

12. *Paragraph 17*.—A member of the Committee drew attention to the fact that on the Madras and Southern Maharatta Railway an excess of 2½ lakhs had occurred partly because no provision had been made through oversight for renewals and replacement of assets of worklines for which no depreciation fund is maintained. The Committee desired it to be examined whether it was a fact, and if so whether it was correct, that no depreciation fund could or should be maintained for these lines.

13. *Paragraph 19*—The Committee noted that a variation of 2½ lakhs was stated to be due to a change in classification made in the course of the year. The Financial Commissioner stated that in this particular case there had been a mistake in the framing of the budget. It was agreed, however, that even in such cases it would, unless in any case the Auditor-General thought otherwise, be preferable to account for the expenditure against the wrong appropriation during the year in question and to make the necessary change in the budget of the following year. The Committee desired that this principle should be brought to the notice of all accounting officers concerned.

14. *Paragraph 26*.—The Committee agreed to recommend the necessary excess vote under "Railway Board".

15. *Paragraph 38—Depreciation Reserve Fund*.—The Chief Commissioner stated that the expenditure from the fund had not in any year exceeded the amount allocated to it. Mr. Satyamurthi suggested that this might be due to the fact that the Railway Board were not spending enough on repairs and renewals, and that in the interest of safety increased expenditure might be desirable. It was explained that a special staff of Government Inspectors was employed in order to ensure that the necessary standards of safety were maintained, and these Inspectors had never reported that lines or rolling stock were unsafe although in some cases they had reported that less essential items such as fencing had not been maintained up to the usual level.

16 *Paragraph 41*—The Committee agreed to recommend the necessary excess grant under “Refunds”.

17. *Paragraph 45 and Annexure B.*—The Committee considered that fuller explanations should be given with regard to the items included in these lists. It would be preferable to have a full explanation of a number of selected items^b in addition to the list itself.

18. *Annexures C and D*—There was considerable discussion regarding the comparative figures given in these annexures. In connection with the Eastern Bengal Railway the Committee noted with regret that the increase in the operating ratio appeared to be due not so much to a fall in traffic as to an increase in working expenses.

The Committee adjourned at 5 p.m.

Proceedings of the second meeting of the Public Accounts Committee held on
Thursday, the 22nd of July 1937, at 10-45 a.m.

PRESENT

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S.,
Finance Member, *Chairman*.

Mr. B. DAS.

Professor N. G. RANGA.

Sirdar JOGENDRA SINGH.

Captain Sardar Sir SHIR MOHAMMAD KHAN Kt., C.I.E.,
M.B.E.

Mr. S. SATYAMURTI.

Maulvi Sir MOHAMMAD YAKUB, Kt.

Bhai PARMA NAND.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Sir ABDUL HAMID, Kt., C.I.E., O.B.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

} *Members.*

19. The Committee met a quarter of an hour before the usual time in order to consider, before the arrival of the witnesses, the question whether the verbatim record of the evidence should continue to be published as in previous years, or whether the printed record should be confined to the report and the summary of the proceedings. After some discussion it was agreed that the existing practice of publishing the evidence should be continued for the present, but that the question might be reconsidered on the inception of the Federation.

20. The following were also present during the remainder of the proceedings :—

The Hon'ble Sir GUTHRIE RUSSELL, K.C.I.E., Chief Commissioner of Railways.

Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner,
Railways.

Mr. T. S. SANKARA AIYAR, Director of Finance.

Mr. H. CARTER NORBURY, Controller of Railway Accounts.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S. Auditor-
General.

Mr. B. N. MITRA, Director of Railway Audit.

Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary.

} *Witnesses.*

21. *Annexure B in the Chief Commissioner's Review.*—The Financial Commissioner gave some further information regarding items 22 and 23 in this annexure, but it was admitted that the mistakes had been due to inadvertence on the part of the budgeting authorities. The Committee considered

that the wrong provision of so large a sum as Rs. 11 lakhs could not be passed over, and they wished to have a further report regarding any remedial or disciplinary action which might be taken in this connection.

22 The Committee then considered the remaining items in the statement showing action taken or proposed to be taken on previous recommendations

23 *Instructions issued by the Railway Department regarding auction sales*—In connection with the memorandum which had been circulated on this subject (appendix V) it was explained that the Railway Board had only agreed to the continuance of the existing practice on the Bengal-Nagpur Railway, and that they had not yet reached final conclusions with regard to the Eastern Bengal and East Indian Railways. The Committee wished to be supplied with a further report next year with regard to these Railways.

24. *Comparison of pre-war and post-war working expenses*—A member of the Committee suggested that the statements supplied with the note on this subject (appendix VI) indicated a disproportionate increase in the cost of superior staff. The Chief Commissioner explained that the number of railway officers of all classes had necessarily increased because of the increase in mileage and the introduction of new activities, such as the workshops at Tatanagar. He also stated that in contrast with most other countries there had been no increase since the war in the salaries of the most highly paid officers. It was agreed that the question whether any reduction in the higher salaries was possible should be further considered at a later stage.

25. *Action taken on the Pope Committee's reports*—In connection with the report on this subject (appendix IV) a member of the Committee raised the question of the manufacture of locomotives in India. The Chief Commissioner stated that he had intended to circulate a note on the subject to the members of the Standing Finance Committee for Railways but that in view of the recent debate in the Assembly it had been decided that further discussion in a Committee of the Legislature would be inappropriate.

As regards ticketless travel the Chief Commissioner stated that the Railway Board had thought of the possibility of introducing vestibules in all railway carriages and of fencing the railway stations, but the cost of either of these schemes was found to be prohibitive. In the meantime efforts were being made to reduce the possibility of evasion by increasing the ticket collecting staff.

26 *Saloons maintained for the use of Railway Officers*.—According to the figures supplied to the Committee (appendix VII) the average for all State Railways in India is at present about one saloon for every two gazetted railway officers. It was explained that the Railway Board did not automatically sanction renewals of saloons and were trying to reduce the number to the minimum required for efficient working. The Committee considered that on the evidence available the existing number of saloons appeared to be excessive, and they desired that a special enquiry should be undertaken to see whether the number could not be reduced and that a report on the subject should be submitted next year. They also recommended that pending the completion of the enquiry no further expenditure should be incurred on renewals.

27. *Regrouping or amalgamation of Railways.*—In connection with the note which had been circulated on this subject (appendix VIII) it was explained that there was already a large degree of co-ordination between the different Railways in the matter of rolling stock and the running of through services. It was also stated that the Railway Board were considering the possibility of further co-ordination of workshop and repair facilities. The Committee considered that the material supplied in the note was not sufficient to enable a definite decision to be reached on the general question of the advantages of amalgamation. They were, however, in favour of amalgamation in principle, provided that it did not result in actual loss, and they hoped that the question would be more fully investigated before any orders were passed on the recommendations made on the subject in the Wedgwood Committee's report.

28. *Electrification of Madras suburban lines on the South Indian Railway.*—The Committee noted that there were still some points of difference between the Railway Board and the Director of Railway Audit in connection with the calculation of the financial results of this scheme (appendix IX). They hoped that these differences would soon be settled, and that an agreed statement would be presented next year. On the evidence available the Committee considered that the traffic in Madras was probably insufficient to justify the scheme, and that it was doubtful whether it should ever have been undertaken.

29. *Electrification of Railways in Bombay.*—The Committee noted that the position with regard to this item (appendix X) was on the whole satisfactory, and they did not consider it necessary to make any special recommendation on the subject.

30. *Encouragement of third class passenger traffic.*—In connection with the note which had been circulated on this subject (appendix XI) a member of the Committee suggested that the notices which were exhibited at railway stations inviting passengers to make complaints should be printed in Indian languages as well as in English. It was also suggested that efforts might be made to produce more convenient and intelligible railway time tables, and that these should also be printed in Indian languages. The Chief Commissioner agreed to consider these points. On the whole the Committee were satisfied that the Railway Board were now giving the necessary attention to this question, and they expressed the hope that there would be no relaxation in the efforts which were being made to find new methods of attracting such traffic.

31. *Free passes for Railway Officials.*—The Committee were supplied with information (appendix XII) regarding the number of passes issued in the financial year 1932-33. The Chief Commissioner stated that no census had been conducted since that year, but that certain orders had recently been issued which should result in a reduction in the number of passes. The Committee suggested that it would be useful if a census of this kind could be taken every five years. They recommended that a census should be taken in 1937-38 if possible, or if that were not possible in 1938-39, and that the results should be reported in due course, with the number of the officials concerned in each class.

The Committee adjourned at 1.20 p.m.

Proceedings of the third meeting of the Public Accounts Committee held on
Thursday, the 22nd of July 1937, at 2-30 p.m.

PRESENT.

The Hon'ble Mr J. C. NIXON, C.S.I., C.I.E.,
I.C.S., Finance Member, *Chairman.*

Mr. B. DAS.	}	<i>Members.</i>
Professor N. G. RANGA.		
Sirdar JOGENDRA SINGH		
Captain Sardar Sir SHER MOHAMMAD KHAN,		
Kt., C.I.E., M.B.E.		
Mr. S. SATYAMURTI.		
Maulvi Sir MOHAMMAD YAKUB, Kt.		
Bhai PARMA NAND.		
Dr. R. D. DALAL, C.I.E.	}	<i>Witnesses.</i>
Khan Bahadur Sir ABDUL HAMID, Kt.,		
C.I.E., O.B.E.		
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.		

The Hon'ble Sir GUTHRIE RUSSELL, K.C.I.E.,	}	<i>Witnesses.</i>
Chief Commissioner of Railways.		
Mr. B. M. STAIG, C.S.I., I.C.S., Financial		
Commissioner, Railways.		
Mr. T. S. SANKARA Aiyar, Director of		
Finance	}	
Mr. H. CARTER NORBURY, Controller of		
Railway Accounts.		

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. B. N. MITRA, Director of Railway Audit.

Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance
Secretary.

32. *Dismantling of Aden Railway.*—With reference to paragraph 51 of the Review the Chief Commissioner explained the reasons for the debit on account of the dismantling of the Aden Railway. He stated that the first portion of the Railway which was 7 miles long was built in 1916, and a further $21\frac{3}{4}$ miles were added in 1919-20. This extension did not pay, and in 1929 the Railway was closed down and orders were issued that it should be dismantled. The Government of India then suggested that the War Office should accept a debit for half the cost of dismantlement. An agreement had, however, been reached in 1926 by which various claims made by the Government of India against His Majesty's Government and *vice versa* in respect of war liabilities had been cancelled out. It was held that the expenditure in connection with the Aden Railway was covered by this agreement, and that in consequence the claim against the War Office could not be sustained.

Railway Audit Report.

33. *Paragraph 8.—Defective reappropriations.*—The Committee considered that reappropriations which *prima facie* seemed to the Director of Railway Audit to indicate defective control should be more fully examined so that the Director might be able to express a definite opinion on the question whether the control was in fact defective or not.

34. *Paragraph 12.—Estimating under Suspense Heads.*—It was agreed that the Administration and the Director of Railway Audit should undertake a further examination of the case relating to the Bombay, Baroda and Central India Railway and should use this case as a basis for the consideration of the general question whether it was possible to secure more accurate budgeting under suspense heads. The Committee desired that the results of this enquiry, both into the specific case and into the more general question, should be stated in next year's Audit Report.

35. *Paragraph 15.—Excesses over Grants.*—The Committee considered that the Railway Board should bring to the notice of the Administrations concerned the comments made by the Director of Railway Audit with regard to the apparent deterioration of control over expenditure on the Bengal Nagpur and East Indian Railways.

36. *Paragraph 19.—Delay in the submission of a second revised estimate.*—In reply to a suggestion that the Railway Board should have taken disciplinary action against the officials concerned in this case, the Chief Commissioner explained that since the case related to a Company-managed Railway the Railway Board could only censure the Administration and could not take action against individual officers. The Committee agreed that the Government of India were justified in expressing serious disapproval of the way in which the case had been handled, and they expressed the hope that the Railway Board would in future be able to exercise sufficient control over cases of this kind to prevent a recurrence of so serious a departure from the normal procedure in connection with the submission of estimates and the execution of works.

37. *Paragraph 21.—Delay in calling for fresh tenders.*—The Committee wished it to be recorded that although they appreciated the fact that the delay was partly due to the investigation by the Railway Board of the possibility of securing more favourable rates by working the colliery departmentally, they must deprecate the length of time taken to reach a decision and the consequent loss of money. They also deprecated the fact that the original contract made in 1931 had been given out otherwise than by open tender.

38. *Paragraph 24.—Defective agreements.*—The Committee considered that the Railway Board had acted more leniently than was reasonable in dealing with the officer who had been held to have failed in his duty in connection with this case.

39. *Paragraph 27.—Failure to recover rent for buildings.*—The Committee suggested that the Railway Board in conveying their displeasure to the Administration concerned with an irregularity of this kind should also indicate that it seemed desirable to take suitable action against the persons who had been responsible.

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40 *Page 9.*—In connection with the comment with regard to the first item on this page the Committee considered that the corresponding figures of previous years should be examined in order to see whether there had been systematic underspending

41. *Page 23.*—The Committee considered that the explanations given in connection with the item relating to the South Indian Railway were inadequate. They recommended that the Accounting Officers and the Audit Officers concerned should try to reach an agreement regarding the reasonable limits of variation for expenditure of this kind, and that thereafter items which exceeded those limits should be fully examined and explained. The object should be to attempt to forestall questions which the Committee would inevitably put.

42. *Page 31.*—In connection with the figures relating to the Eastern Bengal Railway (voted) the Committee considered that, so far as it was possible to judge from the information available, the greater part of the excess over the original allotment appeared to be due to works which either should have been foreseen at the time when the budget was prepared or should not have been undertaken during the course of the year.

This comment appeared to be applicable also to the item relating to the East Indian Railway on the following page.

43. *Page 33.*—The Committee considered that the explanation given in respect of the variation in column 4 under North-Western Railway (voted) was inadequate, and that this was another example of the type of case on which they wished to be supplied with fuller information in future.

44. *Page 40.*—In connection with the item relating to the East Indian Railway (voted) the Committee considered that it should be ascertained whether when a particular Railway frames revised estimates which involve adjustments with other Railways these revised adjustments are normally intimated to the other Railways concerned

This comment appeared to be applicable also to the item relating to the Madras and Southern Mahratta Railway on page 43.

45. *Page 41.*—The Committee considered that the note on the variation in column 4 of the item relating to the Bengal Nagpur Railway did not sufficiently explain why the savings in question could not have been foreseen at the time when the revised estimates were prepared.

The Committee adjourned at 5-15 p.m.

Proceedings of the fourth meeting of the Public Accounts Committee held on
Friday, the 23rd of July 1937, at 11 a.m.

PRESENT.

The Hon'ble Mr. J. C. NIXON, C.S.I., C.I.E.,
I.C.S., Finance Member *Chairman.*

Mr B. DAS,	} <i>Members.</i>
Professor N. G. RANGA.	
Sirdar JOGENDRA SINGH.	
Captain Saidar Sir SHER MOHAMMAD KHAN Kt., C.I.E., M.B.E	
Mr S. SATYAMURTI.	
Maulvi Sir MOHAMMAD YAKUB, Kt	
Bhai PARMA NAND.	
Dr R D DALAL, C.I.E	
Khan Bahadur Sir ABDUL HAMID Kt., C.I.E., O.B.E	} <i>Members.</i>
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.	

The Hon'ble Sir GUTHRIE RUSSELL, K.C.I.E., Chief Commissioner of Railways.	} <i>Witnesses</i>
Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner, Railways.	
Mr. T. S. SANKARA AIVAR, Director of Finance	
Mr. H. CARTER NORBURY, Controller of Railway Accounts.	

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.
Auditor General

Mr. B. N. MITRA, Director of Railway Audit.

46 The Committee continued their examination of the Appropriation Accounts of Railways in India.

47. *Page 49.*—In connection with the notes on this page regarding overpayments to staff, a member of the Committee asked for an explanation of the principles governing the waiving of recoveries in such cases. The Auditor-General stated that in the case of underpayments there was a time limit of three years, and after the expiry of that period the person concerned could not enforce his claim against Government. This time limit did not apply to claims made by Government in respect of overpayments but the practice was to treat Government Servants with reasonable equity in such matters. The question of recovery depended on a variety of circumstances such as the amount involved, the *bona fides* or *mala fides* of the officer drawing the excess, and the degree of responsibility attributable to Government.

48. *Page 57.*—A member of the Committee drew attention to the fact that Rs. 48,000 of the saving in the provision for the Bombay, Baroda and Central India Railway was stated to be due to "non-filling up of vacancies". In order to test the validity of similar explanations given throughout the report

the Committee desired that this item should be investigated, and that it should be reported next year whether the savings in question could not have been anticipated at the time when the budget was prepared

49 *Page 60.*—The Committee desired that it should be considered whether the present method of budgeting for contributions to the depreciation fund on account of capital at charge could not be modified in order to ensure that there should be no changes in such provision during the course of the year. They also suggested that it would be advantageous if a similar change could be introduced in connection with budget provision for interest. The Auditor-General agreed to investigate this point in consultation with the Railway Board.

50. *Page 66.*—The Chief Commissioner explained that the additional expenditure on the construction of the Megna Bridge was in fact satisfactory, since it meant that the engineers had been able to make better progress with the work than had been anticipated. The Committee agreed that no action was necessary at present in connection with this item, but they wished to reconsider the question whether there had in fact been under provision for the work in the light of the figures which would be available next year.

51. *Page 67.*—In connection with the comment at the bottom of this page the Committee noted that it was not clear why the construction of the Karakudi-Melur-Madura Railway had been postponed, and it was also not clear why the postponement had not been foreseen. The Committee wished it to be recorded that this was another example of the inadequacy of the explanations from their point of view.

52. *Grants 11 and 12.*—The Committee considered that in connection with Grants 11 and 12, which relate to capital expenditure on "new construction" and "open line works" respectively, the Railway Board should indicate in their Review the total amounts of the increases and decreases, as compared with the budget provision, in the Grants as a whole.

The Committee also wished it to be considered whether the figures given under "Capital" and "Depreciation Reserve Fund" in connection with various items in these Grants could not be amalgamated, since the explanations dealt with the two heads together.

53. *The position of the Financial Commissioner, Railways.*—At this stage a member of the Committee raised the question of the position of the Financial Commissioner, Railways, *vis-à-vis* the Finance Department. It was suggested that it might be preferable from the point of view of financial control if he were not a member of the Railway Board. The Financial Commissioner stated, however, that there were considerable advantages in his being a member of the Board, and the Auditor-General agreed that the existing arrangement had been found to be the most satisfactory. The Chairman explained that in practice the relation between the Finance Member and the Financial Commissioner was identical with the relation between him and the Financial Adviser, Military Finance.

54. *Grant No. 12.*—The large variations from the budget estimates for various items in this Grant gave rise to a general discussion regarding the control of the Railway Board over estimates for capital expenditure. It was explained that this was one of the main questions which the Chief Com-

missioner and the Financial Commissioner would discuss with the Agents of the various Railways during their ensuing tour. The Committee expressed the hope that the Railway Board in their contacts with the Agents would draw their attention to the items in the Accounts for 1935-36 where departures from the budget programme appeared to be inexcusable, and that the Railway Board would in future try to assure themselves that money provided in the budget for capital works is in fact likely to be spent during the year. The Financial Commissioner admitted in this connection that in the case of some Railways there appeared to be a tendency to inflate the budget in order to have savings available for unforeseen works. It was agreed that the Agents should be required to budget more accurately.

55. *Page 88*.—A member of the Committee drew attention to the fact that according to Note 2 on this page no verification of stock was done in the case of State Railway collieries during the year under review. The Committee hoped that if there were no arrangements for the verification of this stock such arrangements would now be made.

56. *Appendix A (i)*.—The Committee noted that there had been considerable delay in the settlement of some of the items included in this appendix. They recommended that the Railway Board should make efforts to clear these items as soon as possible and to prevent any similar accumulation in future.

Capital statements, balance sheets, and profit and loss accounts of Railways, etc.

57. The Committee briefly considered some of the capital statements included in this compilation. They presumed that when the Railway Board scrutinise expenditure proposals submitted by the various Railways they take into account the financial position of the Railway concerned, and deal more critically with proposals submitted by the less profitable Railways.

58. *Tatanagar Workshops*.—In connection with the accounts of the Tatanagar workshops the Chief Commissioner stated that these workshops were not working to full capacity in the year under report, but that they had done so in the past and would do so in the current year. It was also explained that the increase in output was not due to the introduction of new types of work but to an increased demand for particular kinds of underframes which the workshops were at present equipped to produce. Some members of the Committee wished to recommend that the workshops should be adapted to enable them to undertake other types of work which are at present given to private firms. Other members considered that it would not be justifiable to withdraw all orders from the private firms, since Government had to some extent encouraged the growth of the private wagon industry. It was agreed, however, that the Tatanagar workshops should if possible be given as much work as their present capacity and equipment permit them to undertake.

Balance sheets of railway collieries, etc.

59. In connection with this compilation the Chief Commissioner stated that the railway collieries were now working to full capacity since it had been decided that the railways should this year take as much coal from these collieries as they could produce.

The Committee adjourned at 1-15 p.m.

Proceedings of the fifth meeting of the Public Accounts Committee held on
Friday, the 23rd of July 1937, at 2-30 p. m.

PRESENT

The Hon'ble Mr J. C. NIXON, C.S.I., C.I.E., I.C.S.,
Finance Member.

Chairman

Mr. B. DAS
Professor N. G. RANGA
Sardar JOGENDRA SINGH.
Captain Sardar Sir Sher MOHAMMAD KHAN, Kt., C.I.E.,
M.B.E.
Mr S. SATYAMURTI
Maulvi Sir MOHAMMAD YAKUB, Kt.
Bhai PARMA NAND.
Dr. R. D. DALAL, C.I.E.
Khan Bahadur Sir ABDUL HAMID, Kt., C.I.E., O.B.E.
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA

Members

The Hon'ble Sir GUTHRIE RUSSELL, K.C.I.E., Chief
Commissioner of Railways
Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner,
Railways.
Mr T. S. SANKARA AIYAR, Director of Finance.
Mr H. CARTER NORBURY, Controller of Railway
Accounts

Witnesses

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S. Auditor-
General.

Mr B. N. MITRA, Director of Railway Audit

Mr. A. J. RAISMAN, C.I.E., I.C.S., Finance Secretary

60 *Scope of the Review of the Appropriation Accounts*—Mr Satyamurti drew attention to the fact that a number of items which had appeared in previous years had been omitted from this year's Review. The Chairman stated that the items in question had been omitted either because they were peculiar to the years in which they appeared or because they had been considered irrelevant to the functions of the Committee. The Auditor-General further explained that the exclusion of the irrelevant items from the Review was in accordance with the changes which he proposed to make in the Appropriation Accounts under the new Government of India Act. These Accounts would in future be confined to their proper subject, on the analogy of the accounts presented to the House of Commons. There would also however, be a new compilation which would be known as the "Finance Accounts". This compilation would contain a summary of all the receipts and disbursements of the year followed by a considerable amount of detail in regard to revenue, capital, debt, deposit and remittance transactions and would include comments of the Audit Department on the financial position. The two publications would thus give the Legislature a more comprehensive statements of the public accounts than had previously been provided. Some

members of the Committee, however, still considered it desirable that the Review should contain a few paragraphs giving general comments on the financial position of the Railways

61. At this stage the Auditor-General and the Director of Railway Audit left the meeting. The Committee expressed their appreciation of the assistance which they had received from these officers during their consideration of the Railway Accounts

62. *General financial position of Railways* - At the request of the Committee the Chief Commissioner then made a statement regarding the financial position of the Railways. He pointed out that the figures for 1936-37 in fact represented an improvement of Rs 5½ crores over those of the previous year (appendix XIII) and that the immediate aim recorded in the proceedings of last year's Public Accounts Committee had therefore been achieved. He further stated that up to the 10th of July the receipts for the current financial year showed an improvement of about two crores over the corresponding figures for last year, and working expenses for April and May were actually one lakh less than the figures of the corresponding months of 1936-37. It was probable, however, that there would be some increase in expenditure later in the year owing to increased traffic and the rise in prices

63. *Road-rail competition* --The Committee then discussed the road-rail question. The Chief Commissioner stated that the running of motor transport by the Railways without a monopoly would not under existing conditions be a business proposition, and that it would be impossible to obtain a monopoly without the consent of the Provincial Governments. He further pointed out that the system adopted by some Railways in the United Kingdom of subsidising private motor companies would not be practicable in India since there were at present practically no motor companies which were reliable enough to provide a suitable investment for the Railways. Some members of the Committee considered that motor transport could only be efficiently run by the State, and that the question of securing a monopoly should be further considered even if it meant compensating the Provinces. Other members, however, stated that they would be satisfied if motor vehicles could be made to observe reasonable standards of comfort and safety. The Chief Commissioner agreed that if such standards could be enforced the Railway should be able to hold their own against road competition.

64. *Economies* --Some members of the Committee wished the question of a cut in the salaries of railway officials to be further considered. In this connection the Chief Commissioner pointed out that it would not be possible to enforce the cut in the case of officers appointed by the Secretary of State except through an act of the British Parliament, and if such officers were immune it would not be fair to impose a cut in other cases. As regards minor economies the Chief Commissioner stated that he hoped to achieve an early saving of about half a crore from the measures which were in contemplation, and this saving might rise to a crore after a few years.

65. *Coupon tickets*.—Professor Ranga suggested that the Railways might attract more traffic if they were to issue coupon tickets to members of the general public on the analogy of those which are at present issued to

commercial travellers. The Chief Commissioner was doubtful whether it would be possible to prevent serious abuses of this privilege even if a photograph of the owner were pasted on the ticket. He agreed, however, to consider the suggestion.

66. *Wedgwood Committee's report*—The Committee then discussed several points arising out of the Wedgwood Committee's report, but it was agreed that no record should be kept of this part of the proceedings. After the general discussion the witnesses left the meeting. Mr. Satyamurti then moved the following resolution:—

“The Public Accounts Committee recommends to the Government that no action should be taken by them, by way of implementing the recommendations of the Wedgwood Committee, until this Committee and the Standing Finance Committee on Railways have examined and pronounced their opinion on them, and until the Legislative Assembly has considered the Report and the opinion of these two Committees, and made its recommendations thereon.”

It ^{was} _{was} agreed that this question should be further considered at an additional meeting to be held on the 7th of August.

The Committee adjourned at 5 p m.

**Proceedings of an additional meeting of the Public Accounts Committee
held on Saturday, the 7th of August 1937, at 2-30 p.m.**

PRESENT

The Hon'ble Mr J C NIXON, C.S.I., C.I.E., I.C.S., *Chairman*.
Finance Member

Mr B DAS.

Professor N G RANGA

Sirdar JOGENDRA SINGH

Captain Saldar SIL SHER MOHAMMAD KHAN, Kt, C.I.E.

M B E.

Mr S SATYAMURTI

Maulvi Sir MOHAMMAD YAKUB Kt

Bhai PARMANAND

Dr R D OMLAL, C.I.E.

Khan Bahadur Sir ABDUL HAMID, Kt C.I.E., O.B.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

} *Members*

67. *Wedgwood Committee's Report* In place of the resolution moved at the fifth meeting Mr Satyamurti proposed the adoption of a draft minute containing series of recommendations relating to the proposals made by the Wedgwood Committee. After some discussion a majority of the members of the Committee expressed their agreement with these recommendations, subject to certain amendments, and the Committee decided that the minute as amended should be printed as an annexure to their report.

68. The non-official members of the Committee wished to place on record their appreciation of the courtesy and spirit of accommodation shown by the Hon'ble Mr. J C Nixon as Chairman throughout the meetings.

The Committee adjourned at 4-15 p. m.

Minute approved by a majority of the Committee.

(*Vide* paragraph 14 of the Report and paragraph 67 of the Proceedings).

1 We recommend to the Government that they should take no action on any proposals in the Wedgwood Committee's report involving questions of policy or on proposals involving further expenditure or on proposals recommending the creation of fresh posts or the appointment of Europeans thereto, before the Indian Legislature has had an opportunity of considering the whole report and pronouncing its opinion on the recommendations therein.

2. We are of opinion that several of the recommendations of the Wedgwood Committee are wholly outside the terms of reference thereto, which were —

- to examine the position of Indian state-owned railways and to suggest such measures as may, otherwise than at the expense of the general budget,
- (i) secure an improvement in net earnings due regard being paid to the question of establishing such effective co-ordination between road and rail transport as will safeguard public investment in railways while providing adequate services by both means of transport : and
- (ii) at a reasonably early date place railway finances on a sound and remunerative basis ”.

and besides are even against the provisions of the Government of India Act 1935, and we therefore recommend to the Government that they should not consider those recommendations which are outside the terms of reference to the Committee, as the Committee was not qualified to enter into those questions, and did not have all relevant matters before it.

3. We particularly recommend to the Government that they should not accept or take any action on the following specific recommendations of the Railway Enquiry Committee —

- (1) (a) that experienced European Supervisors are still required for the railway workshops, and that the salaries offered and the prospect of continuous employment must be such as to induce the best men to offer themselves, (paragraph 50),
- (b) that for the present it is desirable that the Principal of the Jamalpur School should continue to be a European of experience (page 38) ; and
- (c) that the direct recruitment of properly qualified young men of European domicile (for the gazetted posts in the Mechanical Engineering Department) should be continued to fill 25 per cent. of the appointments, (page 38).

We dissent and while approving of the principle of securing the maximum efficiency in the working of this Department, strongly deprecate the introduction of racialism

(2) The Railway Enquiry Committee (paragraph 70) do not recommend any alteration in the London Office of the Central Publicity Bureau.

We suggest to the Government that they should examine the need for the continuance of the office, and the possibility and the desirability of transferring its functions to the High Commissioner's office, with a view to economy.

(3) The Railway Enquiry Committee (paragraph 78) recommend that the appointment of Traffic Member of the Railway Board be made permanent.

We consider that no strong case for this appointment has been made out, and request the Government not to agree to it without further consideration.

(4) The Railway Enquiry Committee (paragraph 79) say that they consider "the new scales of pay may prove insufficient to attract the right type of recruit in certain grades. If this should prove to be the case, the scales should be revised."

We consider that this recommendation is wholly outside the terms of reference to the Railway Enquiry Committee, and that this will weaken the financial situation of the railways further.

(5) The Railway Enquiry Committee (paragraph 80) recommend that the Accounts Officers of the State-managed Railways should be held responsible to the Agents.

We do not agree and prefer the present agreed arrangement to continue until the Federal Railway Authority reviews the position.

(6) The Railway Enquiry Committee (paragraph 81) recommend that each Agent should have a Deputy with expert staff to deal with establishment matters.

We consider this would be unnecessary expenditure.

(7) The Railway Enquiry Committee (paragraph 83) recommend that, until the Federal Railway Authority is set up the function of higher audit should be confined to matters of major importance.

We do not agree and prefer the existing agreed arrangement to continue until the Federal Railway Authority reviews the position.

(8) The Railway Enquiry Committee (paragraph 99) recommend that the Statistical Officer should be re-instated in the Railway Board's office and that the statistical organization of some railways should be strengthened.

We see no immediate need for this.

(9) The Railway Enquiry Committee (paragraphs 115 and 116) recommend the appointment on each administration of a Commercial Manager of a status equal to that of other heads of departments, having under him a Rates and Fares Branch, a Traffic Department Branch, and a Research Branch. The Railway Enquiry Committee say incidentally (page 70) that it may be admitted that there is also a shortage of men (in India) trained in the tradition of a live and energetic commercial department. In these circumstances, such men must perhaps be imported and active steps taken to train others to work under their guidance and ultimately to fill their places.

We are of opinion that, while there is need for the development of the commercial departments of the railways, there is no need to create new additional posts for the purpose and there is much less need for importing any people from outside India for this purpose

(10) The Railway Enquiry Committee (paragraph 116 (g)) say that they are convinced that special steps must be taken to select and train commercial staff the desirability of appointing senior men at the outset from Great Britain should be considered

We totally dissent from the latter part of this recommendation

(11) The Railway Enquiry Committee (paragraphs 122 and 123) say that individual rates should continue to be readily adjustable to meet varying conditions, but they cannot recommend any general reduction in charges

Until this question is far more carefully studied and its effects on railway receipts properly assessed, we recommend to the Government that they should not accept the proposition that there can be no general reduction in charges

(12) The Railway Enquiry Committee (paragraphs 136-138) say that, until road and rail transport are both regulated as public services, co-ordination of transport is unattainable

We recommend to Government that the whole question of transport—rail, road, inland waterways and coastal—should be considered together and co-ordinated on an all-India basis, as we are of opinion that any piecemeal action in the matter may make things worse

(13) The Railway Enquiry Committee (paragraph 176) deprecate any wholesale reduction of fares to meet road competition.

We request the Government not to accept this recommendation without a further and a more careful study of the effects of reduction of fares on traffic and revenue.

(14) The Railway Enquiry Committee (paragraph 189) consider that a general reduction of rates to meet road competition would involve the railways in a heavy loss of revenue.

We recommend to the Government to pursue this matter further by means of a proper and careful study of the data and of the experience available, and not to come to any decision merely on the basis of this recommendation.

(15) The Railway Enquiry Committee (paragraph 192) recommend that "the Railway Board should appoint a Press Liaison Officer with adequate staff to constitute a Railway Information Office. Both journalistic talent and a knowledge of Indian vernaculars will be required. As a first approach we recommend that a young and enterprising journalist from Great Britain be invited to take over the task of organizing the Railway Information Office for the Railway Board." They admit that the establishment of this organization will cost money, but, add "it is in our opinion the foundation for any attempt to work up a good press, and a good press is an essential feature of our proposals at this juncture".

We deprecate any further expenditure on this account. In any case, we strongly dissent from the recommendation that a Britisher should be imported for this purpose from Great Britain.

(16) The Railway Enquiry Committee (paragraph 197) state that they consider that the amalgamation of Railways, if carried out too far, will result in unwieldy administration.

We are of opinion that the railway systems in India can easily be reduced to six or four, and recommend that this should be done as early as possible, provided it involves no financial deterioration.

(17) The Railway Enquiry Committee (paragraphs 198-200) recommend that any further exercise by Government of their option to take over company-managed railways should be deferred until the end of 1945, to give the Federal Railway Authority an opportunity of consolidating its position.

We are strongly of opinion that this recommendation is wholly outside the terms of reference to the Committee, is against the declared policy of the Indian Legislature, and should not be considered or accepted by the Government.

(18) The Railway Enquiry Committee (paragraph 201) consider that no amalgamation of railways is desirable at the present time.

We suggest that the earliest opportunity should be taken to amalgamate railways, provided this involves no financial deterioration.

(19) The Railway Enquiry Committee (paragraphs 202-204) consider that the policy of short options is unsound, and recommend that the Government should extend the contracts to dates as far ahead as practicable.

We look upon this recommendation with great disfavour, and consider that it is intended more to help the railway companies than the taxpayer or the country. We therefore, recommend to the Government to reject this recommendation altogether.

(20) The Railway Enquiry Committee (paragraph 206) urge the need for an adequate depreciation fund and consider that a normal balance of 30 crores would not be excessive.

Without pronouncing any final opinion on this matter, we would recommend to the Government to consider this question with the help of real financial and railway experts in the country, and fix the depreciation fund on proper basis, which we consider should be a renewals and replacement fund. We refer the Government to the Public Accounts Committee's recommendation in this matter last year, which was accepted by the Government.

(21) The Railway Enquiry Committee (paragraphs 210-211) urge the importance of building up a general reserve fund to serve as an equalisation fund, for the payment of interest charges in bad years, and from which monies can be appropriated for the amortisation of capital.

We do not want the Government to reject this recommendation off-hand. We are in favour of a general reserve fund to serve as an equalisation fund for the payment of interest charges in bad years, after meeting the obligations mentioned in paragraph (23) below. We are not, however, in favour of monies

being drawn from this fund for the amortisation of capital. The reserve fund should be confined merely for the purposes of the equalisation fund, mentioned above.

(22) The Railway Enquiry Committee (paragraph 212) say: "Looking to the future, we do not think that railways, after providing for depreciation, are likely over a period of years to earn more net revenue than will serve to meet their interest charges."

We recommend to the Government to reject this recommendation.

(23) The Railway Enquiry Committee (paragraph 213) also consider that the railways should no longer be looked to as a possible source of revenues for the relief of general taxation, but that every endeavour should be directed towards enabling the railways to maintain full solvency.

We are genuinely alarmed at these recommendations. We derive consolation from the fact that the Railway Enquiry Committee were not appointed and were not competent to pronounce any opinion on this question.

We would like to invite the attention of the Government to paragraphs 30-31 of the Niemeyer report, particularly to the following sentences:

"I recommend therefore that, the initial prescribed period under section 138(2)(a) being five years, the prescribed sum which during that period the Centre may in any year retain out of the assigned 50 per cent. shall be the whole, or such sum as is necessary to bring the proceeds of the 50 per cent. share accruing to the Centre (of the income-tax) together with any general budget receipts from the railways up to 13 crores. The position of the railways is frankly disquieting. It is not enough to contemplate that in five years' time the railways may merely cease to be in deficit. Such a result would also tend to prejudice or delay the relief which the provinces are entitled to expect. I believe that both the early establishment of effective co-ordination between the various modes of transport and the thorough going overhaul of railway expenditure in itself are vital elements in the whole provincial problem."

(24) The Railway Enquiry Committee (paragraph 215) state that, in view of the importance of the interests at stake, political interference in the affairs of the Federal Railway Authority must be avoided, and the utmost care should be exercised in the selection of its President and Members.

This is again clearly outside their terms of reference. Moreover, the Railway Enquiry Committee do not evidently know that this matter had been dealt with in section 182 of the Government of India Act, 1935, and the eighth schedule thereto. The qualifications are prescribed there, and there was no need for the Railway Enquiry Committee to go further into the matter.

We cannot pass over without notice, the following sentences in the Railway Enquiry Committee's report on this matter:—

"In our view the President of the Railway authority should be a businessman of high standing and of wide experience. It is, we consider, immaterial that he should have any specialised railway experience

or intimate knowledge of the peculiar conditions of India. It is more important that he should bring the whole energy of a fresh and vigorous mind to bear upon the problems which will confront the Federal Railway Authority."

We consider this a special pleading for non-Indians and, request the Government to reject this recommendation

(25) The Railway Enquiry Committee (paragraph 216) state that, "while political interference is the high road to bankruptcy, administrative interference leads to stagnation, and is almost equally to be deplored." They add: "The history of the State management of railways during the past ten years may supply a warning as to the necessity of giving the new authority a free hand to manage its own affairs"

We would like to draw the attention of the Government to paragraph 22 of the report of the Railway Enquiry Committee where they say

"Our general survey of the Indian State-owned railways from 1924 to 1936 shows that their financial results are better than those of other comparable railway systems, whilst their operating statistics indicate that there has been a substantial advance in efficiency and economy of management since the depression began in 1930"

Having stated this, the Railway Enquiry Committee (paragraphs 216-217) say, "as we do not expect any surplus to be available for general revenues, the Government should in future confine its interest in railways to that of a debenture holder".

We consider that this recommendation upsets all previous policy of the Government and of the Legislature in respect of railways, and therefore request the Government to reject this recommendation

(26) The Railway Enquiry Committee (paragraph 218) conclude that the Federal Railway Authority should aim at establishing themselves in a position which will enable them to raise capital in the open market.

This is against the provisions of the Government of India Act, 1935, and also against such control as may still be exercised by the Legislature over the Federal Railway Authority under the Government of India Act, 1935. This recommendation, if accepted, will introduce an unhealthy element of competition in the loan market, as against Provincial Governments, Public Corporations and Local Bodies

Section 186(4) of the Government of India Act, 1935, provides —

"The Federation may provide any moneys whether on revenue account or capital account, for the purposes of the Railway Authority, but where any moneys are so provided, the provision thereof shall be deemed to be expenditure and shall accordingly be shown as such in the estimates of expenditure laid before the Chambers of the Legislature"

This provision, along with the provision in sub-section (2) of section 193 of the Act, gives some power to the Legislature to control the railway policy and

expenditure in this country. If the Railway Enquiry Committee's report be accepted by the Government and the Federal Railway Authority be allowed to raise loans in the open market, that Authority will become a complete '*imperium in imperio*' wholly irresponsible to the Legislature or even to the Government. We therefore recommend that this recommendation also should be rejected.

(27) The Railway Enquiry Committee (paragraph 220) recommend that the Railway Authority should delegate wide powers to the Railway Board.

We do not agree. At any rate, we would leave this to the Federal Railway Authority to consider and decide.

(28) The Railway Enquiry Committee (paragraph 221) recommend that the head office of the Authority and of the Railway Board should be at Calcutta.

We totally dissent and recommend that the head office of the Authority and of the Railway Board should be at the same place as the headquarters of the Government of India.

(29) The Railway Enquiry Committee (paragraph 222) recommend that the title of the Agent should be replaced by that of the General Manager.

We do not object, provided that the change of title will not mean increase in their emoluments and therefore in expenditure, nor mean any more powers being given to them, inconsistent with the efficient and economic management of Railways.

(30) The Railway Enquiry Committee say (paragraph 198) --

“We should feel bound to urge a radical reconsideration of the whole question of State management and a fresh examination of the possibility of creating privately managed companies, with Boards of Management domiciled in India.”

We dissent, and consider this recommendation beyond their terms of reference, and request the Government not to accept it.

APPENDICES.

APPENDIX I.

Statement showing action taken or proposed to be taken on
recommendations, etc., previously made by the Public
Accounts Committee

PART II.—Railways.

Statement showing action taken or proposed to be taken on recommendations, etc.,

PART II.—

Serial No	Year of Report	Paragraph of Report or Proceedings.	Recommendations or suggestions
1	1934-35	7 R 3 P	That lump cuts made in estimates by the Railway Board should be allocated as far as possible to heads where they were practicable and within the control of Railways with a view to avoid undesirable variations
2	1934-35	9 R 2 P	That with a view to making the Railways solvent on a strict accounting basis the services of an expert in Railway management should be obtained and that the Report of the inquiry should be published and opportunity given for discussion in the Legislature
3	1934-35	10 R. 5 P.	That the Financial Commissioner, Railways, should arrange to give in his Review an explanation of the total excesses after excluding the unanticipated credits
4	1934-35	10 R ..	That the Railway Board should issue instructions that the submission of the completion reports should not be unnecessarily delayed
5	1933-34	14 R	That the Railway Board should immediately take up the revision of the Railway Code; and complete it before the new statutory Railway Authority comes into existence
6	1934-35	10 R 13 P.	That the Railway Board should be relieved of its obligation not to sell slack coal
7	1933-34 1934-35	13 R. .. 8 P.	That a report on the working of the instructions issued by the Railway Department regarding auction sales on the different railways should be submitted to the Committee annually.
8	1934-35	9 P ..	That a statement be submitted to the Committee showing a comparison between the pre-war and post-war expenses of Railways divided into certain main heads
9	1934-35	12 P. ..	That a statement showing the progress made with reference to the various recommendations made by the Pope Committee be added in the Financial Commissioner's annual Review
10	1934-35	12 P.	That a statement showing the number of saloons maintained, their capital cost, depreciation and maintenance, the classes of officers entitled to their use, distinguishing saloons maintained by Railways for their own purposes from the rest, should be submitted to the Committee next year.
11	1934-35	14 P. ..	That an up to date review of the possibilities of economy by regrouping of railways or amalgamation of the different railways be given to the Committee next year
12	1934-35	17 P. ..	That, in future, an additional column showing the final appropriations for each Railway should be shown in the Financial Commissioner's Review.

previously made by the Public Accounts Committee.

RAILWAYS

Action taken or proposed to be taken.

This has been done in dealing with the estimates for 1937-38.

The expert Committee has since made its investigations and submitted its report.

This has been done in the Review on the Accounts of 1935-36.

The necessary instructions have been issued and copies have been sent to the members of the Committee (appendix III).

An officer has been placed on special duty since 22nd July 1936 and it is hoped that the revision of the codes will be completed by about the end of 1937.

The obligation has since been removed.

The necessary report will be furnished to the Committee after the close of every year.

A statement has been supplied to the Committee (appendix VI).

It has been decided that such information should not find a place in the Review, but should be given to the Committee as a separate memorandum. The memorandum has been supplied to the Committee (appendix IV).

A statement has been supplied to the Committee (appendix VII).

A note on this subject has been supplied to the Committee (appendix VIII).

This has been done.

APPENDIX II.

LETTER FROM THE AUDITOR-GENERAL TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, No. T.-468-REP./22-37, DATED THE 24TH, JUNE 1937.

SUBJECT :—*Appropriation Accounts (Railways) 1935-36 and the Audit Report 1937.*

With reference to paragraph 13(1)(i) and (iii) of the Government of India (Audit and Accounts) Order, 1936, and paragraph 13(2) of the Government of India (Commencement and Transitory Provisions) Order, 1936, and paragraph 13 of the Government of India, Finance Department letter No. D./29-Ref./37, dated the 8th January 1937, I have the honour to transmit herewith two copies of the Appropriation Accounts of Railways in India for the year 1935-36, Parts I and II, issued by the Chief Commissioner of Railways, together with two copies of the Audit Report, prepared by the Director of Railway Audit, for necessary action by the Governor General in Council.

2. I have the honour also to transmit herewith two copies each of the Capital Statement, Balance Sheets, and Profit and Loss Accounts of Railways in India, and of the Balance Sheets of Railway Collieries and Statements of all in costs of coal for 1935-36

3. The Appropriation Accounts and the Audit Report have, as usual, been subjected to a detailed examination in my office and I have satisfied myself that they are generally in order

4. *Capital at charge of Railways* ---During the year 1935-36 there has been a reduction in the Railway capital at charge due to the application of the current statutory rate of exchange in converting the sterling liabilities, *vide* paragraph 47 *et seq.* of the Chief Commissioner's review. It is not however correct to say, as has been stated in paragraph 18 of the Review, that the rate of exchange which prevailed when the liabilities were undertaken is irrelevant. For the rupee equivalent given by the application of that rate of exchange represents the actual amount expended on the assets in possession of Railways. But as these sterling liabilities would now have to be met by payments at the current statutory rate of exchange and as for various reasons there is admittedly an element of overcapitalisation in the Railway Capital Account, I have agreed to the basis of conversion being altered and to the consequent reduction amounting to Rs. 8.31 crores in the capital at charge, which is specially brought to notice. The recorded capital at charge of Railways was further reduced by a sum of Rs. 54 lakhs, representing the difference between the rupee equivalent at the current rate of exchange and the rupee equivalent previously included in the Railway accounts of the £3½ millions debenture stock of the East Indian Railway discharged during the year 1935-36.

5. *Allocation of expenditure on Rolling Stock.* —I have drawn attention in the last three successive years to the unsettled question of the allocation of expenditure on rolling stock on company-managed Railways which is again mentioned in paragraph 16 of the Railway Audit Report. The continued delay in determining the 'Rolling Stock Convention' results in great inconvenience as, in the absence of an agreed basis of allocation, audit of accounts cannot be completed and financial results cannot be finally certified.

6 *Certification of the accounts of company-managed Railways* —In view of the considerable amount of expenditure on stock and on works which could not be allocated finally between capital and revenue in the accounts of a particular company-managed Railway because of the absence of an agreed basis of allocation I contemplated qualifying the audit certificate on the accounts of that railway. Such qualification was deprecated by the administrative authorities mainly because of the disquieting effect it might have on the shareholders of the company. In the end I accepted the argument that as the contract provided for the correction, in the accounts of a later year, of figures previously certified on a basis subsequently found to be erroneous, I would be justified in giving a certificate qualified only by reference to the articles of the contract which provide for subsequent correction. It was agreed, on the other hand, necessarily, that an auditor could not be expected to give a certificate which is clear in terms when the facts actually require some form of qualification.

APPENDIX III.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM-BENGAL RAILWAY, BENGAL NAGPUR RAILWAY, BOMBAY, BARODA AND CENTRAL INDIA RAILWAY; BENGAL AND NORTH WESTERN RAILWAY, EASTERN BENGAL RAILWAY; EAST INDIAN RAILWAY, GREAT INDIAN PENINSULA RAILWAY, NORTH WESTERN RAILWAY, MADRAS AND SOUTHERN MAHARATTA RAILWAY, ROHILKUND AND KUMAON RAILWAY; SOUTH INDIAN RAILWAY, AND H. E. H. THE NIZAM'S STATE RAILWAY; AND THE MANAGER, JODHPUR RAILWAY, No. 144-W., DATED THE 10TH APRIL 1937

SUBJECT — *Completion Reports.*

In continuation of this office circular letter No. 1444-W., dated the 10th February 1936, on the subject noted above, I am directed to say that the attention of the Public Accounts Committee was drawn to a number of instances of works expenditure held under audit objection for want of sanction pending the submission of completion reports. They view with grave concern the dilatoriness in preparing the completion reports and have requested Government to remedy the present unsatisfactory state of affairs in this regard.

2 On an examination of the question, the Railway Board understand that the main cause of delay in the preparation of completion reports is with respect to the adjustment of credits for released materials as the present practice is to wait for their actual disposal before closing the accounts of the works. To avoid delay, the Railway Board desire that the works concerned should be afforded credit on the value of released materials on the basis of estimates by the Stores Department, in consultation with the Engineer Officers.

3. In this connection, I am also to invite your attention to paragraph 305 of the State Railway Code for the Engineering Department, and to suggest that the procedure outlined in that paragraph should be adopted when there is a dispute between the contractor and the railway. That is, if the contractor's claim is not finally settled within a reasonable time, whatever the railway considers as legitimately due to the contractor should be adjusted by debit to the work and credit to 'Deposits' and the account of the work finally closed. When the contractor is subsequently paid finally and the amount paid to him differs from that in credit in Deposits, necessary adjustments should be made by opening the account of the work and preparing a revised completion report. The Railway Board trust that the adoption of this procedure will result in completion reports being submitted much earlier than is the case at present.

APPENDIX IV.

Action taken on the Pope Committee's Report.

To ascertain whether further economies were possible on Indian Railways, the services of Mr. Pope of the London, Midland and Scottish Railway were first obtained during the winter of 1932-33. In accordance with his recommendations, Job Analysis was undertaken by Railways. The analysis covered a wide variety of Railway operation, including such diverse matters as administrative organisation, intensive use of locomotives, reduction in charges, saving in shed maintenance, painting of structures, improved routing of traffic, better utilization of scrap and methods for increasing earnings and many others. The following table shows the economies effected on each of the more important Railways and the expenditure on the organisation engaged on the analysis for the three years ending 1935-36 :—

Railways.	1933-34.		1934-35		1935-36		Totals	
	Cost of Job analysis organisation	Savings effected	Cost of Job analysis organisation	Savings effected.	Cost of Job analysis organisation	Savings effected.	Cost	Savings.
	Rs	Rs	Rs	Rs	Rs	Rs.	Rs.	Rs.
East Indian	77,691	7,01,128	92,884	18,14,544	1,13,541	5,82,459	2,84,116	30,98,131
Great Indian Peninsula	56,680	4,15,000	64,000	2,04,246	53,574	2,04,859	1,74,254	8,24,105
North Western	32,000	12,66,749	46,006	12,37,376	56,729	7,22,202	1,34,735	32,26,327
Eastern Bengal	63,000	2,14,864	65,995	1,29,508	26,134	41,600	1,55,129	3,85,972
Bombay, Baroda and Central India	58,789	3,52,862	35,300	11,41,596	3,643	2,53,682	97,732	17,20,140
Madras and Southern Mahratta	8,750	45,220	17,632	1,14,000	4,920	2,36,000	31,302	4,15,220
South Indian	19,580	27,400	2,180	25,000	221	8,463	21,981	60,863
Burma	7,500	23,871	26,615	73,352	1,490	77,591	34,115	1,78,814
Assam Bengal	12,825	1,31,755	8,708	12,659	17,575	13,68,493	22,523	1,44,414
Bengal Nagpur							17,575	13,68,493
Totals	3,36,815	31,80,849	3,58,820	47,52,281	2,77,827	34,87,349	9,73,462	1,14,20,479

*Figures not available.

The matter continues to receive the attention of the Railways. Figures for 1936-37 are not yet available.

2 Details of the action taken on some of the more important recommendations are given below.

3. *Intensive use of locomotives.*—In their first report the Pope Committee emphasised the importance of the more intensive use of locomotives, and in their second report they detailed the points upon which they considered a co-ordinated attack should be made

Several years prior to the issue of the first report of the Pope Committee, intensive use of locomotives was attempted by several Railways in this country but these early efforts generally proved unsuccessful owing to locomotives extensively employed rapidly deteriorating into a state of dis-repair

Such failures were due to inadequate preparation both in respect of the provision of repair facilities and the modification of locomotives to make them suitable for intensive use, and it is upon the removal of such deficiencies that the attention of the Railway Board and Railway Administrations has been and still is being concentrated. Until such essential preliminary work is complete, the progress made towards increased utilisation must necessarily be slow but that such work is beginning to bear fruit is supported by the following figures showing the average passenger engine miles per day per passenger engine in use for the four State-managed Railways —

Year.	Eastern Bengal Railway.	East Indian Railway	Great Indian Peninsula Railways.	North Western Railway.
1933-34 ..	123	140	193	117
1934-35 ..	147	141	197	122
1935-36 ..	144	145	202	135

In pursuance of the Board's policy to obtain increased locomotive utilisation the rolling stock programmes submitted by Railways are now scrutinised in much greater detail and the purchase of locomotives sanctioned only when it is clear to the Board that all avenues have been explored to obtain the utmost use out of the existing number under existing conditions. Side by side with this, proposals for the elimination of obsolete stock, as recommended by the Pope Committee, form an almost regular feature of the rolling stock programmes presented to the Standing Finance Committee for Railways. The result of this policy, in respect to both purchase and elimination, is closely reflected in the following figures for the four State-managed Railways showing the locomotive stocks during 1934-35 and the stocks that will exist at the close of 1938-39 inclusive of the proposals sanctioned by the Standing Finance Committee for that year —

	1933-34.	1938-39.
Eastern Bengal Railway	311	294
East Indian Railway	1,613	1,529
Great Indian Peninsula Railway	938	729
North Western Railway	1,284	1,133
Total	4,146	3,685

In this connection it may also be mentioned that there is at present no reason to suppose that the volume of traffic during 1938-39 will be less than the traffic carried during 1928-29 when the locomotive stock of the four Railways concerned stood at 1,297. In other words, as a result of improved locomotive utilisation the Board expect to be able to handle equivalent traffic with 612 less locomotives. The purchase price of these 612 locomotives which either have been or will be scrapped without replacement was approximately Rs. 3 crores.

4 *Intensive use of Coaching Stock.*—The recommendations made under this item were accepted by the Board, and Railway Administrations were instructed to give their attention to the careful planning of coaching stock movement with a view to obtaining more intensive usage. The remarks made under locomotives above apply *mutatis mutandis* to coaching stock and the reductions effected are illustrated by the following figures for 1933-34 and 1938-39 expressed in terms of four-wheeled units:—

	1933-34.	1938-39
Eastern Bengal Railway	1,563	1,557
East Indian Railway	4,824	4,673
Great Indian Peninsula Railway	2,496	2,155
North Western Railway	1,683	4,316
Total	13,566	12,701

Recently the Railway Board have taken up the connected question of pooling of Mela Stock between railways and this is now under reference to the Indian Railway Conference Association.

5. *Intensive use of machinery and plant.*—The Railway Board are of opinion that a comprehensive survey of machinery and plant in railway workshops would be premature until standardisation in accounting methods has been introduced. A draft scheme for this has been prepared and is under consideration.

They also consider that the subject is closely allied to the question of the concentration of manufacturing operations and that this investigation should be undertaken after the completion of the re-modelling of Jamalpur shops, when the question of concentrating manufacture at one or more convenient centres could be taken up. State-owned Railways have accordingly been informed that this question would be investigated by the Railway Board in due course.

6 *Uneconomical Wagons.*—The Committee suggested that every wagon passing through a Transportation Workshop or Sick Line should have, stencilled upon the end panels, coded particulars in "points" of the repairs done to the wagon. The Indian Railway Conference Association to whom the matter was referred for their views felt that the scheme was impracticable, and emphasised the necessity of avoiding any scheme likely to cause any delay to wagons through Train Examining Stations. The proposal therefore was not pursued further. An alternative scheme has, however, since been introduced which will enable the incidence of wagon repairs to be obtained with greater accuracy.

in a shorter time. This scheme has been applied only at selected stations and workshops and will be applied only as long as is necessary to obtain the desired information. The data derived from this investigation will disclose the component parts which are most subject to damage and deterioration and most costly to maintain in all types of wagons. Such information should be of the greatest value both from the point of view of design of new wagons and to elimination of undesirable features in existing wagons.

There are also a number of wagons in service which are from 20 to 25 years old and structurally defective either in respect of their underframes or bodies for operation under present day traffic conditions. The reconditioning of 1,000 such Bengal Nagpur Railway wagons has recently been successfully completed and the reconditioning of 1,800 similar East Indian Railway wagons is now in hand. The possibility of reconditioning a further batch of Bengal Nagpur Railway wagons is also now under examination.

7. *Combining resources between Railways* — (i) The Eastern Bengal and East Indian Railway presses have been amalgamated.

(ii) The question of the amalgamation of certain workshops and the closing down of others was investigated by the Railway Board and the Railway Administrations concerned. As a result of the investigation, the Board came to the conclusion that the economy that might accrue would not outweigh the administrative disadvantages and difficulties arising from such amalgamations.

On the other hand much has been done during recent years to concentrate the resources on individual railways. The following measures taken on the Great Indian Peninsula Railway are quoted as examples, and similar instances could be quoted in respect to other railways —

- (i) closure of locomotive repair shops at Jhansi, Bhusaval, Igatpuri and Lonavla and the concentration of all locomotive repairs in Parel workshops,
- (ii) closure of carriage and wagon repair shops at Bhusaval and concentration of all carriage and wagon repairs at Matunga and Jhansi;
- (iii) concentration of all carriage building work at Matunga instead of sub-dividing the work between Matunga and Jhansi as hitherto; and
- (iv) closure of foundries at Matunga and Jhansi and concentration of all foundry work at Parel.

(v) The Operating Committee of the Indian Railway Conference Association, to whom the Pope Committee's suggestion about neutral repairs was referred, did not recommend the renewal of experiments with neutral repairs. The Board concurred in this view. The Railway Administrations concerned were, however, asked to investigate the possibilities of introducing 'single control' of coaching stock at junction stations where coaching-stock is interchanged. Most of these Railways undertook to introduce this system at certain junctions but the Bengal Nagpur Railway were averse to its adoption and the South Indian Railway desired to await the results of the experiments that were being made on other Railways. These two Railways have recently been asked to give the system a trial and to intimate the results after it has been in operation for a year.

8. Other important recommendations of the Pope Committee related to—

- (i) Ticketless travel ;
- (ii) Measures for speedy handling of “smalls” and economical handling of tranship traffic at break of gauge stations,
- (iii) Measures to increase revenue.

The nature of these recommendations does not permit of the action taken on them being reduced to terms of money or to a statistical figure either in respect of economies effected or of increased earnings. All recommendations, however, were carefully examined by the Railway Board and by railways with a view to their adoption in cases where this was found practicable. The action taken on these recommendations is briefly narrated below

9. *Ticketless travel*.—The Committee recommended that the law should be altered so that effective steps can be taken against persons who now take advantage of the laxity of the existing law with respect to travelling without tickets. The Public Accounts Committee are doubtless aware that, in the last session of the Legislative Assembly, a bill was introduced for this purpose and that it has been referred to a Select Committee for consideration.

10. *Measures for speedy handling of “smalls” traffic*.—The Committee recommended, with a view to each railway evolving the method best suited to local conditions, that railways should exchange information about their methods. This was done and the different systems in force throughout India have been examined by each Railway with a view to adopting the method best suited to their own conditions.

11. *Speedy and economical handling of traffic transhipped at break of gauge stations*.—The Committee put forward the following suggestions for the consideration of railways in order to expedite the handling of transshipment traffic at break of gauge stations and also to secure economy :—

- (a) The use of containers,
- (b) The use of mechanical appliances,
- (c) Definitely organised handling by man power.

The Committee recognised that there was nothing novel in what they had to say in their recommendations on the subject, but wished to emphasise that, to produce economy and efficiency, organised methods are essential, and recommended that the Railway Board should address railways in the matter. This was done, and railways overhauled their practice in the light of the Committee's observations. Generally, it was considered that the existing methods conformed largely to the recommendations of the Pope Committee.

The use of containers has not generally been found practicable. The demand for this method of transport from the public is limited and to provide containers merely to facilitate transshipment is not a practical proposition.

The employment of mechanical appliances (other than cranes) is found not suitable for Indian conditions which are dissimilar to conditions in other countries where expensive labour can be displaced by the use of machines.

The recommendations with regard to organised man-power are, in fact, already in vogue in our transshipment sheds.

The delays and expense consequent on break of gauge transhipment have long been a matter of investigation by Indian Railways which have more experience of such conditions than most other countries, and whilst, as admitted by the Pope Committee, there is nothing novel in their remarks on the subject, their observations have been carefully considered by railways.

12. *Measure for increasing earnings.*—The recommendation of the Committee fell under the following heads :—

- (i) Organisation.
- (ii) Salesmanship.
- (iii) Advertising and Publicity.
- (iv) Rates and Fares.

(i) *Organisation.*—The Committee emphasised the need of a strong Commercial Department free to devote full time to matters concerning the development of traffic.

The necessity for this has for many years past been recognised by Indian Railways, and all the State Railways except the Eastern Bengal Railway and the three Company-managed Railways, Bengal Nagpur, Madras and Southern Mahratta and South Indian Railways, have now separate commercial departments.

(ii) *Salesmanship.*—The views of the Committee were commended to Railways who already recognise the importance of personal canvassing, and steps were taken by Railways to instil ideas of salesmanship in the staff. In the selection of Station Masters also, Railways have been increasingly stressing the need for commercial qualifications.

(iii) *Advertising and Publicity.*—As a means to increase earnings, the Pope Committee were of opinion that greater attention should be paid to advertising and publicity. It was not found possible to accept the recommendation that the Central Publicity Bureau should undertake the examination of the import and export trade of India and of other countries with which India is in competition in world markets, it being considered that individual railways themselves are in the best position to keep in touch with the import and export markets and traders.

Other recommendations of the Committee concerned the use of the cinema for advertising purposes, assistance to traders to find markets, co-operation with Municipalities and Hotel Associations at pleasure resorts or pilgrimage centres, organisation of pilgrimages and co-operation with educational bodies. All these suggestions have received and are receiving attention, though they are not quite new to railway administrations.

The question of bringing to the notice of the public the facilities offered by railways, both in respect to goods and passengers, was recently considered by the Indian Railway Conference Association and the whole subject will be re-examined in view of the recommendations of the Indian Railway Enquiry Committee.

(iv) *Rates and Fares*.—The following suggestions were made by the Committee for adjusting rates and fares to meet various conditions of traffic .—

- (a) Where rates and fares cannot be economically reduced, the conditions of operating cost must be examined in order to ascertain what action might be taken, *e.g.*, to provide light units to admit of greater frequency of movement ;
- (b) Railways would risk very little by bringing the tapering effect of their passenger fares considerably nearer to the average lead in the third and intermediate classes ,
- (c) Low rates quoted to develop a specific industry should be capable of enhancement after development is completed ,
- (d) Inter-railway competition may be reduced permitting of an enhancement in rates ;
- (e) The question of freight rates for export traffic should be examined co-operatively by Railway Administrations.

Railways have been already taking action regularly on the above lines and the views of the Committee indicated in (a) and (c) above were specially commended to Railways.

As regards (b), the Board did not accept the statement that there was little risk by bringing the tapering effect of passenger fares nearer to the average lead. Railways have, however, been asked to make a periodical examination in this respect.

As regards (d), the matter was discussed with the Agents, Class I Railways, and the necessity of taking concerted action was recognised by them. In actual practice, Railways do give prior advice of reductions in rates fares and conditions which may have the tendency of affecting adversely other Railways and in cases of dispute, settlement is arrived at by discussion between the Railways concerned.

As regards (e) , the Secretary, Indian Railway Conference Association, was asked to have the suggestions considered by the Conference Association. The Conference found that any tendency to quote unduly low rates was due more to direct competition with coastal steamers rather than with inter-railway competition for export traffic. As regards this competition, the Conference recommended to Railways that, should there be a tendency for Railways to cut rates to secure traffic to ports in which they are particularly interested, they should co-operate in endeavouring to maintain a reasonable standard of rates.

APPENDIX V.

Working of the instructions issued by the Railway Board regarding auction sales on different Railways.

As desired by the Public Accounts Committee, instructions were issued to Railway Administrations in Railway Board's letter No. 2326-F./IV, dated the 20th November 1935 (*vide* annexure to appendix I to the Report for 1934-35) to the effect:—

- (i) that proper care should be exercised to select auctioneers of financial standing;
- (ii) that the auctioned material should not be allowed to be removed until the full amount had been received from the auctioneers; and
- (iii) that the arrangements with the auctioneers should be signed by duly authorised persons.

After considering these instructions on 20th July 1936 the Committee desired that a report on the working of these instructions should be presented to them annually

2 The reports on the working of the instructions during 1936-37 received from the Railway Administrations show that the conditions (i) and (iii) are followed by the Railway Administrations. As regards the second condition, all Railway Administrations except the Bengal Nagpur, Eastern Bengal and East Indian Railways, have taken necessary steps to implement it. In the case of the East Indian and Eastern Bengal Railways it was pointed out by the auctioneers and the Controllers of Stores of those Railways that it was not practicable to adopt the hard and fast rule that the railways should in no circumstances deliver the auctioned material until the full value had been received from the auctioneers. The auctioneers were also not prepared to revise their agreements or to increase their security deposits sufficiently to cover the maximum value of the goods sold at an auction, but they were agreeable to adopt an insurance scheme through some Fidelity or Guarantee Bond to guard against loss to Government in the realisation of the amount of sale proceeds of auctioned material to the extent of Rs. 3 lakhs. On the recommendation of the Agents, and after very careful examination, the Railway Board were satisfied with the proposed insurance scheme and accordingly approved it. The Railway Administrations have, however, reported that no Insurance Company is prepared to undertake risk against insolvency, and the question is again under further examination by the Railway Administrations concerned. So far as the Bengal Nagpur Railway is concerned, it was pointed out that, in order to safeguard the interest of the Railway, the agreement provides a clause under which the auctioneers were required to furnish a security deposit of Rs. 1 lakh in G. P. Notes whereas the outstandings due from them to the Railway rarely, if ever, exceeded Rs. 75,000. In view of this the Railway Board agreed to the existing practice being continued. The Railway Administration has since informed the Board that the security deposit has been increased by Rs. 5,000 raising the total security deposit to Rs. 1,05,000 in G. P. Notes.

APPENDIX VI.

Comparison of pre-war and post-war working expenses under certain main heads.

At its meeting held in July 1936 the Public Accounts Committee desired to have a statement comparing pre-war and post-war working expenses of Indian Railways, classified under certain main heads, such as wages, salaries, cost of material, interest and depreciation.

2. A statement giving the available information for each railway is attached, together with an abstract giving the totals for all railways. Wherever separate information is not available, the column concerned is blank.

3. It will be observed from these statements that the expenditure on account of wages and salaries (in thousands of rupees) for the years 1913-14, 1923-24 and 1935-36 was as follows:—

	1913-14	1923-24	1935-36.
Gazetted staff .	13,035	22,880	27,676
Upper subordinates	17,753	18,868	32,526
Lower subordinates .	73,615	149,399	200,314
Labourers ..	14,671	31,309	39,830
Inferior servants .	6,098	13,274	13,906

The categories of employees shown above were those in respect of which railways were asked to supply information. But the basis of classifying and designating subordinate and inferior servants is not uniform throughout the various administrations, and some of them have been unable to quote separate figures under some of the categories. No very great degree of accuracy should therefore be held to attach to the separate figures under the last four categories, but it is considered that, taken together, the totals are sufficiently accurate so as not to be misleading for the purpose in view.

4. In considering the above figures, the following facts regarding changes made in the scales of pay from time to time may be of interest.

Time scales of pay were introduced in 1908 for the service now known as the *Indian Railway Service of Engineers*.

The scales of pay for other superior railway services were revised in 1911 but they were graded and not time scales.

Owing to the conditions arising from the war and the high cost of living, the scales of pay were further revised and time scales of pay, which were more expensive, were introduced in almost all departments in 1919 and 1920.

As a result of recommendations made by the Lee Commission, scales of pay were further revised with effect from 1st April 1924 to the extent that in addition to basic pay or in lieu of rupee overseas pay officers of non-Asiatic domicile were given sterling overseas pay.

The scales of pay for superior railway officer appointed after 15th July 1931 were revised and reduced in 1933, because it was considered that the scales of pay then in force were excessive.

5. When the superior services' scales of pay were raised owing to the high cost of living arising from the war, Agents of State-managed Railways generally introduced time scales of pay for subordinates between 1917 and 1921 with the Railway Board's sanction.

The scales of pay for the lower paid staff, which included inferior servants and labourers, were revised further during the years 1929 and 1931, resulting in further increase of expenditure. Detailed information in respect of these has already been given in the Railway Board's reports for the years 1930-31 and 1931-32.

6. The increase of wages granted during days of plenty has increased railway working expenses by somewhere in the neighbourhood of Rs. 50 lakhs per annum, as mentioned by Chief Commissioner in paragraph 20 of his speech presenting the Railway Budget for 1936-37 in the Council of State.

**Statement showing a comparison between pre-war and post-war
railway expenditure divided over certain sub-heads.**

Statement showing a comparison between pre-war and

Railways	Years	Staff							
		Gazetted Staff.		Upper Subordinates		Lower Subordinates		Labourers	
		No	Cost	No	Cost	No	Cost	No	Cost
			Rs		Rs		Rs.		Rs
A. B.	1913-14	51	4,12	81	2,27	2,007	852	1,146	1,90
	1923-24	50	7,80	97	3,68	2,593	17,72	1,871	4,12
	1935-36	71	10,02	121	4,53	3,392	25,13	2,392	9,22
B. N.	1913-14	120	14,16	39,855	85,95	..	..	.
	1923-24	178	26,82	62,011*	1,97,07*			..	
	1935-36	194	30,19	(a) 844	14,46	(b) 61,263	2,67,15	.	..
B. B. and C. I.	1913-14	136	11,88	156	7,50	59,620	1,42,17	..	
	1923-24	182	26,55	1,015	44,99	73,180	(c) 3,40,43	..	..
	1935-36	172	30,66	912	49,29	63,801	3,10,56		..
E. B.	1913-14	117	9,89	248	9,08	7,961	38,16	26,630	25,33
	1923-24	131	18,20	512	24,24	8,610	71,62	26,412	78,18
	1935-36	124	22,30	484	22,90	9,124	95,34	29,084	91,66
E. I.	1913-14	276	24,94	683	26,03	18,062	1,08,49	86,462	74,11
	1923-24	320	42,00	2,010	91,16	20,448	1,55,43	100,748	1,33,17
	1935-36	299	49,83	1,875	81,91	33,831	2,30,67	69,354	1,89,74
G. I. P.	1913-14	178	15,60	(a) 312	13,30	100,286	1,74,62	.	.
	1923-24	230	31,53	(a) 1,007	51,11	92,392	3,38,41	..	..
	1935-36	213	38,44	(a) 1,270	50,59	82,058	3,49,98	†	
M. S. M.	1913-14	119	11,00	113	3,90	7,294	40,09	21,509	23,75
	1923-24	146	17,65	227	9,29	7,825	61,48	(e) 23,040	39,29
	1935-36	139	20,17	227	11,78	8,695	76,10	(e) 24,602	50,72
N. W.	1913-14	226	20,49	1,026	23,07	(f) 93,877	1,69,33	.	..
	1923-24	278	36,10	1,137	52,03	(f) 101,678	4,14,56	..	..
	1935-36	271	44,32	1,326	63,87	(f) 103,622	5,08,91	..	..

*Include upper subordinates, lower subordinates, labourers and inferior servants.

†The number of labourers in 1935-36 was 13,950.

(a) Subordinates drawing Rs. 250 p.m. and above.

(b) Includes subordinates drawing less than Rs. 250 p.m., labourers and inferior servants.

post-war railway expenditure divided over certain sub-heads.

(In thousands of rupees)

Inferior Servants		Total		Salaries	Wages	Cost of materials.	Interest	Depreciation.	Remarks.
No	Cost	No	Cost						
	Rs		Rs	Rs	Rs	Rs	Rs.	Rs	
6,698	7,69	10,073	24,50	6,39	18,11	15,62	49,09	Not available.	
8,159	12,19	12,782	45,51	11,48	34,03	34,06	69,33	"	
10,744	16,67	16,720	65,57	14,55	51,02	53,88	91,63	.	
		39,975	1,00,11	32,74	67,37	69,32	1,36,87	59,76	
.		62,189	2,33,89	74,36	1,40,53	1,87,95	2,16,27	92,40	
.		65,301	3,11,80	95,57	2,16,23	2,02,72	2,74,89	1,29,10	
.		59,912	1,64,64			1,55,75	1,65,10	25,77	
..		74,377	4,11,97	..	.	2,65,22	2,19,68	74,60	
..		64,915	4,20,51	.	..	1,65,06	2,78,19	79,73	
9,719	12,03	44,675	94,49	57,13	37,36	2,37,24	1,25,75	16,69	
11,296	23,97	46,991	2,19,21	1,17,06	1,02,15	2,94,81	1,62,26	43,38	
9,863	23,70	49,579	2,55,90	1,40,54	1,15,36	1,80,49	1,96,73	85,17	
23,616	24,33	129,090	2,57,90	79,54	1,78,36	2,09,80	1,43,05	.	
27,127	66,90	150,653	4,88,75	1,54,02	3,34,73	3,95,74	5,20,08	1,80,00	
19,799	54,59	125,158	6,06,74	1,75,44	4,31,30	1,99,97	5,94,38	2,40,18	
.		100,778	2,16,98			2,67,94	3,47,72	67,69	
		93,629	4,63,90	.	.	4,49,56	1,25,82	90,01	
		83,541	4,81,85		..	2,38,61	1,32,09	2,02,09	
		29,635	78,83			Not available	1,82,18	52,63	
		31,238	1,27,71			150,22	2,09,01	63,37	
..		33,662	1,58,77	..		1,22,54	2,29,93	92,00	
.		95,129	2,12,89	..		.	3,16,05	..	
..	..	103,693	5,02,69		..		4,31,81	1,60,88	
..	..	105,219	6,17,10	.	.	4,13,67	5,91,38	1,94,64	

(c) Includes subordinates drawing less than Rs. 30 p.m. or on scales of pay terminating under Rs. 30 p.m., labourers and inferior servants.

(d) Totals include the cost of Provident Fund bonus. Gratuities shown separately.

(e) Figures include inferior servants also.

Statement showing a comparison between pre-war and

Railways.	Years	Staff.							
		Gazetted Staff		Upper Subordinates		Lower Subordinates		Labourers.	
		No	Cost	No	Cost	No.	Cost.	No	Cost.
S. I.	1913-14	81	Rs. 79,12	81	Rs 1,97	5,208	Rs. 38,50	6,870	Rs 5,44
	1923-24	89	11,63	190	8,28	5,790	65,12	9,382	28,91
	1935-36	128	17,00	265	11,60	9,236	74,70	6,314	24,59
B. & N. W.	1913-14	71	5,78	152	3,48	3,276	11,51	10,319	10,98
	1923-24	78	7,86	190	5,49	3,774	21,58	11,830	19,32
	1935-36	75	11,85	276	6,75	4,881	29,15	17,088	22,69
R. & K.	1913-14	24	1,60	38	89	881	2,96	4,065	(e) 5,23
	1923-24	22	2,57	44	1,34	937	4,64	4,530	(e) 10,10
	1935-36	16	1,98	51	1,40	965	5,45	4,556	(e) 9,68

(f) Figures include lower subordinates, labourers and inferior servants.

(g) (i) The total number of staff as shown in Railway Administration Report for 1913-14 (Volume II) is 43,739 and the cost is Rs 1,02,45,000 (Volume I of the Report for 1920-21).

(ii) The total number of staff as shown in the Railway Administration Report for 1923-24 (Volume II) is 49,598 and the cost of staff is Rs. 1,88,40,742.

post-war railway expenditure.

(in thousands of rupees)

Inferior Servants		Total		Salaries	Wages	Cost of materials.	Interest	Depreciation.	Remarks.
No	Cost	No	Cost						
	Rs		Rs	Rs	Rs	Rs.	Rs	Rs	
11,556	13,03	26,796	66,85	61,11	5,44	63,21	61,48	31,12	
15,234	23,95	30,686	1,37,89	1,08,98	28,91	1,20,23	96,22	37,05	
20,092	36,26	36,035	1,61,24	1,39,65	24,59	96,89	1,75,31	44,20	
4,110	3,90	17,928	35,65				.		
5,862	5,73	21,734	69,98			.			
4,888	7,84	27,208	78,28	.	.		..		The head Depreciation is not operated on.
.		50,08	10,68	.			.	.	
		55,33	18,65	.	.		.	.
		55,88	18,60	.		.		.	
									Do.

(iii) The total number of staff as shown in the Railway Administration Report for 1935-36 (Volume II) is 49,699 and the cost of staff is Rs 2,59,69,792.

The figures appearing in the statement exclude B.-11 C-11 Shed and T. x R Staff (B. 111. C. 111) and Electrical Workshops

Statement showing a comparison between

Years.	Staff					
	Gazetted Staff		Upper Subordinates		Lower Subordinates	
	No.	Cost.	No	Cost	No	Cost.
		Rs.		Rs.		Rs.
1913-14	1,399	1,30,55	‡42,745	‡1,77,53	298,562	7,38,15
1923-24	1,713	2,28,80	‡68,471	‡4,88,68	317,227	14,93,99
1935-36	1,720	2,76,76	7,680	3,25,26	383,868	20,03,14

*Includes 1,057 on account of Provident Fund bonus and

†Includes 4,291 on account of Provident Fund bonus and

‡Includes 3,684 on account of Provident Fund bonus and

§Includes in the case of B N Railway upper subordinates

pre-war and post-war : a way expenditure.

(In thousands of rupees.)

						Salaries.	Wages.	Cost of materials.	IntereInt
Labourers.		Inferior Ser- vants		Total					
No.	Cost.	No.	Cost.	No.	Cost				
	Rs.		Rs		Rs	Rs	Rs	Rs.	Rs.
157,001	1,46,74	58,699	60,98	558,406	12,62,52*	2,37,21	3,06,64	10,18,94	18,30,29
177,816	3,13,00	67,678	1,32,74	632,905	27,00,21†	4,65,90	6,49,35	19,03,79	23,50,48
164,290	3,98,30	65,386	1,39,06	612,926	31,70,36‡	5,65,75	8,38,50	16,71,83	28,64,53

gratuity not included under individual categories
 gratuity not included under individual categories
 gratuity not included under individual categories
 lower subordinates labourers and inferior servants

APPENDIX VII.

Railway Saloons reserved for the use of Railway Officers and other Government Departments.

The Public Accounts Committee at their meeting held on 21st July, 1936, desired to be furnished with a statement showing the number of saloons maintained, their capital cost, depreciation and maintenance, the classes of officers entitled to their use, distinguishing saloons maintained by railways for their own purposes from the rest. Statements detailing this information, except in regard to maintenance and depreciation, are attached. The life limit fixed for saloons is 40 years, and as this figure is almost invariably worked to, 2½% of the capital cost may be regarded for all practical purposes, as an accurate assessment of the annual depreciation. Separate figures relative to annual maintenance charges are not available. Experience indicates that these charges approximate 4% of the capital cost in the case of saloons reserved for high officials owing to their infrequent use, and 5% in the case of other saloons.

BENGAL NAGPUR RAILWAY (BROAD GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
			Rs		
1	Bogie (inspection)	1006	22,239	Chief Mechanical Engineer, Kharagpur	
2	Do. ..	1007	22,239	Chief Engineer, Santragachi.	
3	Do. ..	2	30,636	Transportation Manager and Commercial Traffic Manager, Santragachi.	
4	Do. ..	1005	19,411	Superintendents, Loco and Carriage and Wagon Departments, Kharagpur.	
5	Do. ..	1	25,315	Superintendents, Headquarters, Garden Reach, Calcutta.	
6	Four-wheeled inspection carriages.	590	12,052	Pooled between District Officers stationed at Kharagpur including Superintendent of Government Railway Police.	
7	Do. ..	7	13,607		
8	Do. ..	442	12,276		
9	Do. ..	444	24,255		

Serial No	Description of saloon.	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon	Remarks.
			Rs.		
10	Four-wheeled inspection carriages	578	24,255		
11	Do.	595	*17,568		
12	Do.	8	11,806		
13	Do.	304	12,206	Inspection carriage (Observation), Kharagpur.	
14	Do.	414	24,255	Pooled between Superintendent, Way and Works, D C O, D. L O & R C. O, Chakardharpur.	
15	Do.	386	12,052		
16	Do.	188	12,962		
17	Do.	823	18,461	Pooled between T. C M D. L. S., D. C O, D E., M. O. & Mining Engineer, Adra. District Electrical Superintendent, Adra.	
18	Do.	1001	15,601		
19	Do.	1002	12,239		
20	Do.	308	12,276		
21	Do.	588	12,052		
22	Do.	577	24,255		
23	Do.	568	13,696		
24	Do.	587	12,052		
25	Do.	12	7,802	S. D O, Signals, Adra.	
26	Do.	827	13,461	Assistant Engineer, Signals, Purulia	
27	Do.	9	12,338	District Transportation Officer, Bilaspur.	
28	Do.	593	*17,568	District Loco and Carriage Superintendent, Bilaspur.	
29	Do.	189	14,632	District Engineer, Bilaspur.	
30	Do.	594	*17,568	Medical Officer, Bilaspur	
31	Do.	463	17,545	District Engineer, Nagpur.	
32	Do.	522	14,139	District Commercial Officer, Nagpur.	
33	Do.	591	*17,568	District Engineer, Titlagarh.	

*Expenditure not yet final.

Serial No.	Description of saloon	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon	Remarks.
			Rs		
34	Four-wheeled inspection carriages	838	11,302	District Transportation Officer, Waltari	
35	Do	592	*17,568	District Commercial Officer, Waltari	
36	Do.	303	13,696	Assistant Transportation Officer, Khuda Road	
37	Do ..	589	12,052	District Loco and Carriage Superintendent, Khuda Road.	
38	Do ..	473	13,190	District Engineer, Cuttack.	
39	Do. ..	4	14,465	Officer in charge, T T. Dis, Santragachi	
40	Do. .	500	24,255	Pooled between District Officers, Assistant Officers, and Office Assistant Coaching, stationed at Headquarters, Santragachi.	
41	Do ..	570	12,276		
42	Do. ..	472	12,621		
43	Do. ..	573	12,276		
44	Do ..	596	*17,568		
45	Do ..	469	24,255		
46	Do. ..	89	8,792		
47	Do. ..	820	8,593		
48	Do ..	449	11,312		
49	Do. ..	392	12,387	} Sleeper Passing Officers, Eastern Group	
50	Do. ..	466	24,255		
		Total ..	7,96,305		

*Expenditure not yet final.

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY (BROAD GAUGE).
Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
1	Officer's saloon four-wheeled	2	Rs 33,392	Officers of District Rank	These 22 four-wheeled saloons are shared by 34 officers.
2	Do	3	33,392		
3	Do	8	14,618		
4	Do	9	14,618		
5	Do	12	13,238		
6	Do	13	13,238		
7	Do	14	13,238		
8	Do	15	20,467		
9	Do	16	20,467		
10	Do	17	27,786		
11	Do	18	28,859		
12	Do	3451	16,125		
13	Do	3452	16,125		
14	Do	3453	14,023		
15	Do	3454	14,023		
16	Do	3455	31,030		
17	Do	3456	31,030		
18	Do	3457	31,296		
19	Do	3458	31,296		
20	Do	3459	31,296		
21	Saloon six-wheeled	7	18,118	Administrative Officers	These 5 bogie saloons are shared by 23 officers.
22	Do	21	15,451		
23	Saloon bogie	5	58,242		
24	Do	10	20,925		
25	Do	22	20,925		
26	Do	23	20,925		
27	Do	25	34,117		
28	Do	24	2,931		
		Total ..	6,59,181	Senior Government Inspector of Railways.	

EASTERN BENGAL RAILWAY (BROAD GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No	Description of saloon	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
1	Bogie	1	Rs. 27,338	Head of Department.	
2	Four-wheeler	149	17,115	District Officer (pooled).	
3	Bogie	1265	86,463	Agent	
4	Do	1407	22,961	Head of Department	
5	Do	1408	17,778	Head of Department (pooled)	
6	Do	1409	17,778	Do	
7	Do	1410	21,177	Government Inspector of Railways	
8	Four-wheeler	2	11,000	District Officer (pooled)	
9	Do	3	19,810	District Officer	
10	Do	4	6,100	Assistant Officer (pooled).	
11	Do	5	6,250	Do.	
12	Do	6	9,710	District Officer (pooled)	
13	Do	7	11,294	District Officer.	
14	Do	10	"	District Officer (pooled).	
15	Do.	11	19,811	Assistant Officer	
16	Do	12	*	Assistant Officer (pooled)	
17	Do	13	4,550	†Malariologist.	
18	Do	15	9,710	Assistant Officer.	
19	Do.	16	9,710	District Officer.	
20	Do.	32	9,710	District Officer (pooled)	
21	Do.	124	*	Assistant Officer (pooled).	
22	Do.	147	17,255	District Officer	
23	Do.	148	17,255	Do.	
24	Bogie	1252	47,589	Head of Departments.	
25	Four-wheeler	1254	18,032*	District Officer (pooled).	
26	Do.	1255	18,032	Assistant Officer.	

* Not available.

† Converted from smoking saloon to malariologist's.

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon	Remarks.
			Rs.		
27	Four-wheeler ..	1256	16,558	District Officer.	
28	Do. ..	1257	16,558	Assistant Officer.	
29	Do. ..	1258	16,558	Do.	
30	Do. ..	1259	18,902	District Officer	
31	Do. ..	1260	18,902	Do.	
32	Do ..	1261	18,902	Assistant Officer	
33	Do ..	1262	18,902	District Officer	
34	Do .	1263	18,902	Do.	
35	Do. ..	1264	18,902	District Officer (pooled)	
36	Do ..	1411	10,450	Inspection Car	
37	Do ..	1412	12,300	District Officer	
38	Do. ..	1266	*22,000	Do	
39	Do. ..	1267	*22,000	Do.	
40	Do. ..	1413	12,300	Do.	
41	Do. .	1419	15,222	Do.	
42	Do ..	1420	15,222	Assistant Officer.	
43	Do. ..	1268	*22,000	Do.	
44	Do. ..	1269	*22,000	District Officer.	
		Total ..†	7,63,008		

* Anticipated approximate cost only—completion report not yet submitted.

† Excluding three carriages, capital costs of which are not known.

EAST INDIAN RAILWAY (BROAD GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon	Remarks
			Rs		
1	Bogie (reserved) .	2945	67,912	Agent	Running as a replaced stock vehicle.
2	Do.	2000	19,278	Deputy Agent.	
3	Do. .	4908	11,005	Chief Electrical Engineer.	
4	Six-wheeler (reserved).	1901	11,449	Chief Auditor . .	
5	Bogie (reserved)	5141	27,302	Chief Accounts Officer and Controller of Stores	
6	Do.	4885	32,341	Divisional Superintendent, Moradabad.	
7	Do. .	4884	32,341	Divisional Superintendent, Allahabad.	
8	Do ..	1995	36,069	Chief Medical Officer and Chief Commercial Manager	
9	Do .	4868	31,863	Chief Engineer.	
10	Do. ..	4869	17,058	Deputy Head of Department's Pool.	
11	Do. .	4870	23,068	Chief Mechanical Engineer.	
12	Do ..	4871	23,068	Divisional Superintendent, Lucknow.	
13	Do.	4886	32,341	Divisional Superintendent, Howrah.	
14	Do.	4894	27,440	Divisional Superintendent, Asansol.	
15	Do. ..	4888	32,341	Divisional Superintendent, Dinapore.	
16	Do. ..	4907	41,005	Deputy Head of Department's Pool.	
17	Do. .	4889	32,341	Do.	
18	Do. .	4887	32,341	Do.	
19	Do. .	5080	29,591	Directors of Railway Board.	
20	Do. ..	5081	40,000	Do.	

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
			Rs.		
21	Bogie (reserved)	5082	32,452	Chief Mining Engineer, Railway Board.	
22	Do	4893	26,423	Senior Government Inspector of Railways	
23	Do	2420	13,538	Under Chief Operating Superintendent's order	
24	Four-wheeler (reserved)	3644	19,933	Do	
25	Do.	1949	10,814	Do	
26	Do.	4956	13,621	Do.	
27	Do. ..	3189	20,372	Do	
28	Do. .	1945	9,197	Do	
29	Do. ..	2772	8,112	Assistant Superintendent, Way and Works, Roorkee	
30	Do. ..	3357	19,249	District Medical Officer, Dhanbad	
31	Do. .	3645	19,933	Under Chief Operating Superintendent's order	
32	Do. ..	4904	12,960	Do.	
33	Do. .	4902	10,080	Assistant Superintendent, Way and Works, Howrah	
34	Do.	1929	9,248	Coal Area Superintendent, Dhanbad.	
35	Do	4906	6,314	Under Chief Operating Superintendent's order.	
36	Do	4955	21,063	Do.	
37	Do. .	2019	14,259	Inspection carriage.	
38	Do. ..	4890	7,662	Do.	
39	Do. ..	1912	8,506	Under orders of Divisional Superintendent, Howrah.	
40	Do. ..	3355	21,640	Do.	
41	Do. ..	2098	16,992	Do.	
42	Do. ..	1923	8,880	Do	
43	Do. ..	2020	3,937	Do.	

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
			Rs.		
44	Four-wheeler (reserved).	2939	9,005	Under orders of Divisional Superintendent, Howrah.	
45	Do.	1964	20,946	Do	
46	Do.	2840	6,682	Assistant Superintendent, Way and Works, Rampurhant.	
47	Do.	2014	6,594	Assistant Superintendent, Way and Works, Sahibganj.	
48	Do.	2837	9,005	District Medical Officer, Jamalpur.	
49	Do. ..	1922	8,880	Assistant Superintendent, Way and Works, Burdwan.	
50	Do.	2800	8,732	Assistant Superintendent, Way and Works, Ondal	
51	Do.	1936	7,979	Assistant Superintendent, Way and Works, Madhupur.	
52	Do	2910	13,312	Assistant Superintendent, Way and Works, Partabgarh	
53	Do ..	1939	7,979	Assistant Signal Engineer and Assistant Superintendent, Way and Works, Asansol	
54	Do. .	3190	20,372	Under orders of the Divisional Superintendent, Asansol.	
55	Do. ..	3029	17,491	Do	
56	Do. ..	1767	8,774	Do.	
57	Do. ..	1915	8,506	Do.	
58	Do. ..	1946	8,168	Do.	
59	Do.	2016	9,320	Do.	
60	Do.	1925	8,880	Do.	
61	Do. ..	3030	16,187	Do.	
62	Do ..	1914	8,506	Assistant Superintendent, Way and Works, Barkakhana.	

Serial No.	Description of saloon	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon	Remarks
			Rs.		
63	Four-wheeler (re-served)	3646	19,933	Assistant Superintendent, Way and Works, Gujhandi.	
64	Do .	3031	17,492	District Electrical Engineer, Dhanbad	
65	Do. .	2478	6,308	Under orders of the Divisional Superintendent, Dinapur	
66	Do. .	1938	7,979	Do.	
67	Do ..	1933	7,979	Do.	
68	Do ..	2838	9,005	Do.	
69	Do. ..	1931	9,248	Do.	
70	Do. ..	1950	7,814	Do	
71	Do ..	1934	7,979	Do.	
72	Do ..	1928	9,248	Do	
73	Do. ..	1961	7,543	Do.	Running as a replaced stock vehicle.
74	Do. ..	3191	19,397	Assistant Superintendent, Way and Works, Moghalserai	
75	Do. ..	1911	8,506	Do. & D. M. O., Gaya	
76	Do. ..	1941	7,979	Do Dehri-on-Sone	
77	Do. ..	3356	19,249	Do. Patna Junction.	
78	Do. .	1940	20,946	Do. Dinapore.	
79	Do. ..	1913	8,506	Under orders of the Divisional Superintendent, Allahabad.	
80	Do ..	1944	9,197	Do.	
81	Do. ..	1948	7,814	Do.	
82	Do. ..	3192	19,397	Do.	
83	Do. ..	1926	8,880	Do.	
84	Do. ..	2997	17,194	Do.	

Serial No	Description of saloon.	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
85	Four-wheeler (10-served)	2999	Rs 16,187	Under orders of the Divisional Superintendent, Allahabad	Running as a replaced stock vehicles.
86	Do.	1916	8,506	District Medical Officer, Tundla	
87	Do	1937	7,979	Assistant Superintendent, Way and Works, Aligarh.	
88	Do	1963	7,543	Do Allahabad	
89	Do	1942	7,979	Do Etawah	
90	Do	1962	7,543	Do Cawnpore	
91	Do.	1754	16,187	Assistant Signal Engineer, Allahabad	
92	Do.	4872	12,960	Electrical Engineer, Lucknow.	
93	Do	4881	12,860	Assistant Signal Engineer, Lucknow	
94	Do	4912	12,960	Under orders of the Divisional Superintendent, Lucknow.	
95	Do	4877	12,960	Do.	
96	Do.	4875	12,960	Do	
97	Do.	4879	12,960	Do	
98	Do	4882	9,034	Do.	
99	Do	4910	8,589	Do	
100	Do	4957	13,621	Do.	
101	Do.	4911	12,840	Assistant Superintendent, W. & W. Rai-Bareilly	
102	Do.	2476	6,898	Do Fyzabad.	
103	Do.	4873	12,960	Chief Operating Superintendent, Pool.	
104	Do.	1932	8,846	Under orders of the Divisional Superintendent, Moradabad.	
105	Do.	3354	21,640	Do.	
106	Do	4883	11,921	Do.	

Serial No	Description of saloon	Individual number of saloon	Capital cost.	Class of officers entitled to the use of the saloon	Remarks
107	Four-wheeler (reserved)	4874	Rs 12,960	Under orders of the Divisional Superintendent, Moradabad	
108	Do.	3643	19,933	Do	
109	Do.	4876	12,960	Do	
110	Do.	1921	8,791	Do	
111	Do.	2773	8,112	District Medical Officer, Moradabad.	
112	Do.	4901	8,428	District Medical Officer, Bareilly	
113	Do.	4898	12,840	District Medical Officer, Moradabad	
114	Do.	4954	21,963	District Medical Officer, Hardoi	
115	Do.	2017	9,320	Assistant Superintendent, Signals, Moradabad	
	Total	.	18,03,783		

GREAT INDIAN PENINSULA RAILWAY (BROAD GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
			Rs		
1	Bogie ..	2482	45,891	Dynamometer Staff Car.	
2	Do. ..	2485	58,102	P M. and H O.	
3	Do. ..	2493	27,655	C E	
4	Do. .	2494	39,379	D S. Bhusawal	
5	Do. .	2495	26,545	D S Jhansi	
6	Do. .	2497	6,970	Deputy C E Bridges	
7	Do. ..	2498	6,970	D S. Sholapur.	
8	Do. .	2499	22,641	D S Jubbulpore	
9	Do ..	2579	95,858	Agent	
10	Four-wheeled ..	2302	8,952	D V. E Jhansi.	
11	Do ..	2303	8,952	D V T. M , Sholapur.	
12	Do .	2304	8,952	D V E Poona.	
13	Do .	2305	8,952	Senior Assistant Bhusa- wal Division.	
14	Do. .	2306	8,952	Bridge Engineer.	
15	Do. ..	2307	8,952	D V E Nagpur	
16	Do. ..	2309	8,952	D V E Jubbulpore	
17	Do. ..	2310	8,952	D. V. E Bhusawal	
18	Do. ..	2315	27,819	Assistant S and I Engi- neer, I G. P.	
19	Do. .	2316	27,819	D. V. E. Bombay.	
20	Do .	2317	27,819	Senior A T S. Jhansi Division	
21	Do. ..	2318	27,819	D. V. T. M Nagpur.	
22	Do. .	2319	27,819	Pool for Senior Officers BB.	
23	Do. .	2320	26,607	Senior A T. S. Jubbulpore Division.	
24	Do. ..	2323	4,493	Pool for Junior Officers BB.	

Serial No.	Description of saloon	Individual number of saloon	Capital cost.	Class of officers entitled to the use of the saloon	Remarks.
			Rs.		
25	Four-wheeled ..	2336	19,341	R E Mahmud	
26	Do	2337	19,341	R E. MBA	
27	Do. ..	2338	7,228	Assistant S. and I Engi- neer Jhausi	
28	Do ..	2339	7,228	R E Bhusawal.	
29	Do .	2340	7,228	Pool SUR Division	
30	Do .	2341	7,228	R E. SBD.	
31	Do. .	2342	7,228	Assistant S. and I. Engin- neer JBP	
32	Do. .	2343	7,228	R E Akola	
33	Do ..	2344	7,228	Assistant Engineer (Bridges).	
34	Do. ..	2345	7,228	R E Knw.	
35	Do. ..	2346	19,729	Jhausi Division Pool	
36	Do ..	2347	19,729	R. E. DD	
37	Do. ..	2348	19,729	Pool for Junior officers BB.	
38	Do. ..	2349	19,729	Pool for Junior officers BB.	
39	Do. ..	2350	19,729	Pool for Bsl. Division	
40	Do. ..	2358	17,569	Pool Jbp Division.	
41	Do. ..	2359	17,569	Pool Bsl Division.	
42	Do. ..	2360	17,569	Pool Jhs. Division.	
43	Do .	2361	17,569	Pool Jbp Division.	
44	Do. ..	2362	17,569	R E. Nagpur	
45	Do. ..	2363	17,569	Pool Sur. Division.	
46	Do. ..	2364	21,683	Pool Jbp Division.	
47	Do. ..	2365	21,683	Pool Jhs Division.	
48	Do. ..	2366	21,683	Pool for Junior Officers BB.	
49	Do. ..	2367	21,683	Do. do.	
50	Do. ..	2368	21,683	Do. do.	

Serial No	Description of saloon.	Individual number of saloon	Capital cost.	Class of officers entitled to the use of the saloon	Remarks
			Rs		
51	Four-wheeled	2369	21,683	Pool for Junior officers BB	
52	Do	2426	22,758	R E. Lonavla.	
53	Do.	2427	22,758	Pool Jhs Division	
54	Do	2428	22,758	Pool Bsl Division.	
55	Do	2429	22,758	R E. Betul	
56	Do.	2430	22,758	Pool Bsl Division	
57	Do.	2431	22,758	Coal Superintendent	
58	Do.	2432	22,758	R. E Guna	
59	Do.	2433	22,758	Pool Jhs. Division.	
60	Do	2434	22,758	Pool Sur. Division	
61	Do	2435	22,758	Pool Jhs. Division	
62	Do	2436	22,758	R E. Saugor	
63	Do.	2437	22,758	Pool BSL. Division.	
64	Do.	2438	22,758	R. E Bina.	
65	Do.	2439	15,037	Pool Bsl. Division.	
66	Do.	2440	13,941	Pool for Junior Officers BB.	
67	Do	2441	14,690	Pool Sur. Division.	
68	Do	2442	14,164	Pool D. M. C Nagpur.	
69	Do.	2443	14,164	R E lgp.	
70	Do.	2444	13,871	R E. Bhopal	
71	Do.	2445	14,164	Pool Jhp Division.	
72	Do.	2446	11,690	R. E. Sholapur.	
73	Do	2447	14,055	R. E. Jhansi.	
74	Do.	2448	14,055	R E Satna.	
75	Do.	2449	13,941	R. E. VRR	
76	Do.	2450	8,880	Pool for Senior Officers BB	
77	Do.	2457	10,280	Do. do.	
78	Do.	2462	13,685	Do. do	

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
			Rs		
79	Four-wheeled	2465	10,523	Pool Bsl Division.	
80	Do.	2469	24,601	D V T M Jhansi	
81	Do.	2470	21,601	Pool for Senior Officers BB	
82	Do.	2471	21,601	D V. T. M. Jubbulpore	
83	Do.	2484	21,130	Ambulance and Surgery Car	
				SUPERNUMERARY STOCK	
84	Bogie (four-wheel-ed)	6138	24,105	Pool	
85	Do.	2301	7,870	D V E. Jhansi	
86	Do.	2313	6,987	Pool Jhs Division.	
87	Do.	2314	7,601	R E JBP	
88	Do.	2324	4,400	A. T. S. 'D' Lonavla.	
89	Do.	2327	4,003	Pool Jhs. Division.	
90	Do.	2332	4,003	Do. do	
91	Do.	2454	8,000	Pool for Junior Officers BB	
92	Do.	2460	8,000	Pool Bsl. Division.	
93	Do.	2461	8,000	Pool Jhs.	
94	Do.	6011	10,523	Pool Jhs Division.	
95	Do.	6013	6,840	D. M. O. Igp.	
96	Do.	6129	6,087	R E Agra Cantt.	
97	Do.	6140	6,087	Pool Bsl. Division.	
98	Do.	6148	7,454	Instructor Car BB	
99	Do.	6167	7,163	Pool for Junior Officers BB	
100	Do.	6254	6,275	Do. do.	
101	Do.	6260	6,275	Pool Jhs. Division.	
102	Do.	6270	7,454	Do	
103	Do.	6271	7,454	A. T. Ss. 'D' Kalyan.	
		Total ..	17,41,856		

MADRAS AND SOUTHERN MAHRATTA RAILWAY (BROAD GAUGE).

Statement showing particulars of Saloons reserved exclusively for use of Railway Officers

Serial No.	Description of saloon.	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon	Remarks.
			Rs.		
1	Bogie .	RA 5	24,990	Agent	
2	Do .	RA 7	62,815	Heads of Departments and Deputies at Headquarters	
3	Do ..	RA 8 ..	50,121	S G I of Railways	
4	Do, .	CE 6 ..	82,225	Heads of Departments and Deputies at Headquarters	
5	Six-wheeled .	ERA 13	10,488		
6	Do .	ERA 15	20,045		
7	Do ..	ERA 17	22,873		
8	Do .	ERA 18	22,873		
ENGINEERING DEPARTMENT					
9	Six-wheeled	ERB 46	28,220	District Engineer, Rayapuram.	
10	Do. .	ERB 16	18,684	District Engineer, Bezawada.	
11	Do. ..	ERB 20	26,410	District Engineer, Godavari	
12	Four-wheeled ..	ERB 59	28,360	District Engineer, Gooty	
13	Do	ERB 19	26,410	{ Assistant Signal Engineer, Madras Bridge Engineer Madras.	
OPERATING DEPARTMENT					
14	Six-wheeled ..	ERB 14	21,425	District Transportation Superintendent Traffic, Bezawada.	
15	Do. .	ERB 21	26,410	District Transportation Superintendent Traffic, Rayapuram	
16	Do. .	ERB 45	28,220	District Transportation Superintendent Power, Rayapuram	
17	Do. ..	ERB 47	28,220	District Transportation Superintendent Power, Bezawada	

Serial No.	Description of saloon	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
			Rs		
			ELECTRICAL DEPARTMENT		
18	Four-wheeled	ERB 44	9,333	District Electrical Engineer, Perambur	
			MEDICAL DEPARTMENT		
19	Four-wheeled	EBRL 43	9,333	District Medical Officer, Bezwada.	
			RELIEF CARRIAGES		
20	Four-wheeled	EBR 22	30,427	...	
21	Do	EBR 28	19,497	.	
22	Do	EBR 40	24,317	.	
23	Do.	EBR 42	9,333	....
24	Do	EBR 51	10,488	....
25	Do	EBR 52	10,488	. . .	
26	Do.	ERD 38	9,776	....
		Total	6,61,781		

NORTH-WESTERN RAILWAY (BROAD GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon	Individual number of saloon	Capital cost.	Class of officers entitled to the use of the saloon	Remarks.
			Rs		
1	Saloon Bogie	22	70,701	} Members of the Railway Board	
2	Administrative	23	70,701		
3	Do.	24	29,591	Directors of the Railway Board	
4	Do.	25	70,701	Financial Commissioner of Railways.	
5	Do.	51	20,951	Director of Railway Claims Accounts	
6	Do.	108	1,03,070	Chief Commissioner of Railways	
7	Do.	114	57,331	Senior Government Inspector of Railways Circle No 4	
8	Do.	36	13,500	Divisional Officers including Junior Scale Officers	
9	Do.	37	15,000	Do.	
10	Do.	41	37,367	Administrative Officers.	
11	Do.	42	20,000	Do	
12	Do.	43	37,367	Do	
13	Do.	48	15,000	Divisional Officer.	
14	Do.	49	23,510	Administrative Officer	
15	Do.	50	24,890	Divisional Officers including Junior Scale Officers	
16	Inspection Saloon Bogie	52	32,687	General Pool	
17	Saloon Bogie (Administrative)	101	26,454	Administrative Officers.	
18	Do.	102	26,454	Do.	
19	Do.	103	26,454	Do.	
20	Do.	104	24,258	Do.	
21	Do.	105	24,258	Do.	

Serial No.	Description of saloon.	Individual number of saloon	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
			Rs		
22	Saloon Bogie (Administrative)	106	21,258	Administrative Officers.	
23	Do	109	53,720	Do	
24	Do.	110	53,720	Do	
25	Do	111	53,720	Do.	
26	Do.	112	53,720	Do	
27	Do	113	53,720	Do	
28	Do	115	55,000	Agent	
29	Do	116	33,701	Administrative Officer	
30	Do	117	33,701	Do	
31	Do	122	36,854	Administrative Officers	
32	Do	123	16,500	Do	
33	Do	124	36,854	Administrative Officer.	
34	Saloon four-wheeled (Senior Assistant)	125	12,000	Divisional Officers including Junior Scale Officers	
35	Do	126	12,000	Do.	
36	Do	127	12,000	Do	
37	Do	128	25,316	Do	
38	Do	129	25,316	Do	
39	Do.	132	25,316	Do.	
40	Do	44	12,000	Do.	
41	Do	45	12,000	Do.	
42	Do	53	12,000	Do.	
43	Do.	54	15,165	Do.	
44	Do.	56	15,165	Do.	
45	Do	59	15,165	Do.	
46	Do.	68	12,000	Do	
47	Do.	70	12,000	Do.	
48	Do.	73	14,183	Do.	

Serial No.	Description of saloon.	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon.	Remarks
			Rs		
49	Saloon four-wheeled (Senior Assistant)	74	11,198	Divisional Officers including Junior Scale Officers.	
50	Do	76	11,198	Do	
51	Do	77	12,780	Do	
52	Do	78	12,780	Do	
53	Do	79	12,780	Do	
54	Do	80	12,780	Do	
55	Do	133	12,000	Do.	
56	Do.	134	12,000	Do	
57	Do.	136	25,316	Do	
58	Do	137	25,316	Do	
59	Do	138	12,000	Do	
60	Do	139	14,091	Do	
61	Do	140	14,091	Do	
62	Do	141	25,316	Do	
63	Do	142	Completion report still awaited	Divisional Officers.	
64	Do.	143			
65	Do	145	12,780	Divisional Officers including Junior Scale Officers.	
66	Do.	146	12,780	Do	
67	Do.	147	15,165	Do	
68	Do.	148	15,165	Do.	
69	Do.	149	15,165	Do.	
70	Do	150	15,618	Do.	
71	Do	151	15,618	Do.	
72	Do.	152	15,618	Do	
73	Do.	153	15,618	Do.	
74	Do.	154	15,618	Do.	
75	Do.	155	18,584	Do.	

Serial No.	Description of saloon	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
76	Saloon four-wheeled (Senior Assistant)	156	Rs 18,584	Divisional Officers including Scale Officers	
77	Do. .	157	18,584	Do.	
78	Do. ..	158	18,584	Do	
79	Do. .	159	23,047	Do	
80	Do. .	160	23,047	Do.	
81	Do. ..	161	23,047	Do.	
82	Do. .	162	23,047	Do.	
83	Do. ..	163	23,047	Do.	
84	Do. .	164	23,047	Do.	
85	Do. .	165	Completion report still awaited.	Do.	
86	Do. ..	166			
87	Do. ..	167			
88	Do. .	168			
89	Do. .	169			
90	Do. ..	170			
91	Do. .	171			
92	Do. ..	172			
93	Saloon four-wheeled (Junior Assistant)	187	11,000	Junior Scale Officers.	
94	Do. .	189	23,529	Sub-Divisional Officer.	
95	Do. ..	190	23,529	Junior Scale Officers.	
96	Do. ..	191	23,529	Sub-Divisional Officer.	
97	Do. .	192	24,861	Junior Scale Officers.	
98	Do. .	193	11,000	Do.	
99	Do. .	196	24,861	Sub-Divisional Officer.	
100	Do. ..	205	24,861	Do.	
101	Do. .	212	24,861	Do.	
102	Do. .	214	26,603	Junior Scale Officers.	
103	Do. ..	215	26,603	Sub-Divisional Officer.	
104	Do. ..	216	26,603	Do.	

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
			Rs.		
105	Saloon four-wheeled (Junior Assistant).	217	26,603	Divisional Officers and Junior Scale Officers	
106	Do. .	218	26,603	Sub-Divisional Officer.	
107	Do. ..	219	26,603	Do.	
108	Do. ..	220	26,603	Do.	
109	Do. .	221	26,603	Do.	
110	Do. ..	222	26,603	Junior Scale Officers.	
111	Do. ..	223	26,603	Sub-Divisional Officer.	
112	Do. ..	224	26,603	Do.	
113	Do. ..	225	26,603	Junior Scale Officers.	
114	Do. ..	226	26,603	Sub-Divisional Officer.	
115	Do. ..	227	26,603	Do	
116	Do.	228	26,603	Do	
117	Do.	229	26,603	Divisional Officers and Junior Scale Officers.	
118	Do. .	230	26,603	Sub-Divisional Officer.	
119	Do. .	233	27,562	Junior Scale Officers.	
120	Do. .	234	27,562	Do.	
121	Do. ..	235	27,562	Sub-Divisional Officer.	
122	Do. ..	236	27,562	Do.	
123	Do.	237	27,562	Do.	
124	Do. ..	238	27,562	Junior Scale Officers.	
125	Do. ..	239	27,562	Sub-Divisional Officer.	
126	Do. ..	240	27,562	Do.	
127	Do. ..	241	24,861	Do.	
128	Do. ..	242	24,861	Junior Scale Officers.	
129	Do. ..	243	24,861	Sub-Divisional Officer.	
130	Do. ..	244	24,861	Do.	
131	Do. ..	245	24,861	Do.	

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
			Rs.		
132	Saloon five-wheeled (Junior Assistant).	246	24,861	Sub-Divisional Officer.	
133	Do ..	247	24,861	Do.	
134	Do	248	24,861	Do.	
135	Do.	249	24,861	Do	
136	Do. ..	250	24,861	Do.	
137	Do ..	251	24,861	Do	
138	Do. ..	252	24,861	Junior Scale Officer.	
139	Do.	253	24,861	Sub-Divisional Officer	
140	Do. ..	254	24,861	Do.	
141	Do .	255	24,861	Do.	
142	Do. ..	256	24,861	Do.	
143	Do. ..	199	23,529	Do.	
144	Do. ..	257	Completion report still awaited.	Do.	
145	Do. .	258	Do.	Do	
146	Do. .	259	Do.	Divisional Officer.	
147	Do. ..	260	Do	Sub-Divisional Officer.	
148	.. .	261	Do.	Do.	
149	Tourist Car Bogie.	86	46,875	Administrative Officer.	
150	Do. ..	87	22,579	Divisional Superintendent, Multan.	
		Totals ..	34,44,300*		

* Excluding cost of 15 four-wheeled saloons, completion reports of which are still awaited.

SOUTH INDIAN RAILWAY (BROAD GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers

Serial No	Description of saloon.	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
			Rs		
1	Bogie	R A 1	60,325	Agent.	Replaced carriage.
2	Do.	R B 3	37,538	Spate under Agent's orders	
3	Six-wheeled	E R B. 472	7,841	Spate under C. T. S 's orders	
4	Do.	E R B 473	10,335	Do	
5	Six-wheeled	E R B. 474	8,000	District Traffic Superintendent	
6	Do.	E R B. 475	8,979	District Engineer	Replaced carriage.
7	Do.	E R B. 476	8,979	Assistant Traffic Superintendent	
8	Do.	E R B 478	18,415	District Engineer.	
9	Do.	E R B. 479	18,415	Do	
10	Do.	E R B 479-R	7,735	District Mechanical Engineer	
11	Do.	E R B 480	7,356	Assistant Engineer.	
		Total ..	1,93,913		

ASSAM BENGAL RAILWAY (METRE GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon.	Numbers of saloons	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
1	Reserved Carriages 1st class, bogie.	4	Rs. 1,24,608	Agent, Traffic Manager, Chief Engineer and Locomotive and Carriage Superintendent. } Junior Officers.	
2	Reserved Carriages, four-wheeler.	28	4,10,017		
3	Reserved Carriages Inspection Carriage "A", four-wheeler.	29	2,71,360		
4	Reserved Carriages "B", four-wheeler.	14	61,369		
	Total ..	75	8,67,354		

BENGAL AND NORTH-WESTERN RAILWAY.

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon.	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
			Rs.		
1	Six-wheeled	3	8,085	Chief Engineer.	
2	Do. ..	4	8,085	Loco. and Traffic District Officers.	
3	Do. ..	5	8,085	Do.	
4	Do. ..	6	8,085	Traffic Manager.	
5	Bogie ..	7	13,178	Agent.	
6	Do. ..	8	11,968	Resident Engineer.	
7	Four-wheeled ..	11	4,375	Signal Engineer.	
8	Do. ..	12	4,375	Loco. and Traffic District Officers.	
9	Six-wheeled .	13	8,132	Resident Engineer.	
10	Six-wheeled .	14	4,375	Do.	
11	Do. ..	15	4,375	Loco. and Traffic District Officers.	
12	Do. ..	21	4,375	Assistant Auditors.	
13	Do. ..	22	4,375	District Loco. Superintendent.	
14	Bogie ..	23	10,096	Loco and Carriage Superintendent	
15	Six-wheeled ..	26	8,053	Medical Officers.	
		Total	1,10,017		

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY (METRE GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No	Description of saloon.	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
1	Officer's carriage (bogie)	24	Rs 41,197	Administrative Officers .	These four saloons are shared by six officers.
2	Do	26	15,800		
3	Do. ..	30	21,535		
4	Tourist car (bogie)	9	15,746		
5	Officer's carriage (bogie).	27	15,800	Senior Government Inspector of Railways.	
6	Do .	18	10,000		
7	Officer's carriage (four-wheeled).	28	9,800		
8	Do. ..	33	10,016		
9	Do.	34	9,407	Officers of district rank ..	These 21 saloons are shared by 22 officers.
10	Do ..	35	9,407		
11	Do. ..	36	10,213		
12	Do. ..	37	10,213		
13	Do. ..	38	10,990		
14	Do. .	112	7,000		
15	Do. ..	114	7,000		
16	Do. ..	201	7,000		
17	Do. ..	202	9,800		
18	Do. ..	203	9,800		
19	Do. ..	204	9,800		
20	Do. ..	205	9,800		
21	Do. .	207	9,800		
22	Do. ..	208	9,800		
23	Do. ..	210	9,800		
24	Do. ..	211	9,800		
25	Special saloon ..	16	6,200		
26	Family first ..	50	15,526		
		Total ..	3,11,250		

EASTERN BENGAL RAILWAY (METRE GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No	Description of saloon	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
1	Bogie .	737	Rs. 16,680	Government Inspector of Railways	(Purchased from B. & N. W. Railway.)
2	Do .	741	30,582	Railway Board	
3	Six-wheelers .	3	.	Assistant Officer.	
4	Four-wheelers ..	9	.	Assistant Officer ..	
5	Six-wheelers	16	.	Inspection Saloon	
6	Four-wheelers .	17	.	Assistant Officer (pooled).	
7	Bogie . .	22	.	Head of Department (pooled)	
8	Six-wheelers ..	738	11,129	Assistant Officer.	
9	Four-wheelers ..	739	11,129	District Officer	
10	Six-wheelers ..	740	11,129	Assistant Officer.	
11	Do ..	741	11,129	District Officer.	
12	Do. ..	742	9,641	Assistant Officer.	
13	Bogie	743	9,402	Head of Department (pooled).	
14	Four-wheelers .	745	..	District Officer.	
15	Six-wheelers ..	746	11,413	Assistant Officer.	
16	Do. ..	747	11,413	District Officer.	
17	Do. .	748	11,413	District Officer.	
18	Do. ..	750	..	District Officer.	
19	Bogie	1342	.	Head of Department (pooled).	
20	Four-wheelers ..	2003	..	District Officer	
21	Bogie	2004	31,090	Agent.	
22	Six-wheelers ..	2005	12,142	District Officers.	
23	Do. ..	2006	12,142.	District Officer.	

Serial No.	Description of saloon.	Individual number of saloon	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
24	Six-wheelers ..	2008	Rs. 12,589	District Officer.	
25	Do. .	2009	11,880	Assistant Officer.	
26	Do. ..	2010	11,880	District Officer.	
27	Do. ..	2012	13,046	Assistant Officer.	
28	Do. .	2013	13,046	Assistant Officer.	
29	Bogie .. .	2016	27,873	District Officer (pooled).	
30	Do.	2017	27,873	District Officer (pooled).	
31	Six-wheelers ..	2078	17,134	Assistant Officer.	
32	Do. ..	2079	17,134	District Officer (pooled).	
33	Do. ..	2080	17,134	District Officer (pooled).	
34	Four-wheelers ..	2081	*20,000	Assistant Officer.	
35	Do. .	2082	*20,000	District Officer.	
		Total ..	4,10,023		

*Anticipated approximate cost only, completion Report not yet submitted.

MADRAS AND SOUTHERN MAHRATTA RAILWAY (METRE GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
			Rs.		
1	Bogie R W.	812	56,187	Agent.	
2	Do.	800	19,530	} Pooled among Heads of Departments and Deputies.	
3	Do.	813	36,573		
4	Do	801 ¹	17,499		
5	Do	802	19,257		
6	Do.	803*	8,949		
7	Do.	805	13,718	} Senior Government Inspector of Railways.	
8	Do.	804	20,784		
ENGINEERING DEPARTMENT.					
9	Four-wheeled Saloon	ERI 9580	18,269	District Engineer, Mor- mugao	
10	Do.	„ 967	17,752	District Engineer, Guntakal	
11	Do.	„ 958	16,310	District Engineer, Bangalore City	
12	Do.	„ 959	16,310	District Engineer, Belgaum.	
13	Do.	„ 957	16,310	District Engineer, Hubli	
14	Do	„ 8002	15,060	District Engineer, Bellary.	
15	Do.	„ 6154	13,834	District Engineer, Gooty (Stabled at Reni- gunta).	
16	Do.	„ 1404	10,350	District Engineer, and Assistant Engineer, Bozwada	
17	Do.	„ 1401	10,350	Assistant Engineer, Hubli.	
18	Do.	„ 942	13,366	Assistant Engineer, Guntoor.	
19	Do.	„ 1403	10,350	Assistant Engineer, Guntakal.	

* Replaced carriages.

Serial No.	Description of saloon	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
20	Four-wheeled Saloon	ERB 960	Rs 17,319	Assistant Engineer, Poona	
21	Do.	„ 1650	6,139	Assistant Engineer, Arsikere	
22	Do.	„ 1402	10,350	Assistant Engineer, Gadag	
23	Do	„ 954	12,107	Assistant Engineer, Pakala.	
24	Do.	„ 1616	6,016	Assistant Engineer, Bangalore	
25	Do.	„ 951	13,366	Assistant Engineer, Belgaum	
26	Do	„ 961	17,319	Assistant Signal Engineer, Hubli, and Bridge Engineer	
OPERATING DEPARTMENT					
27	Do	„ 965	16,730	District Transportation Superintendent Traffic, Bangalore.	
28	Do.	„ 963	16,436	District Transportation Superintendent Traffic, Guntakal.	
29	Do.	„ 964	14,244	District Transportation Superintendent Traffic, Hubli.	
30	Do.	„ 6153	13,834	District Transportation Superintendent Traffic, Pakala.	
31	Do.	„ 966	16,730	District Transport Superintendent Power, Hubli.	
32	Do	„ 962	16,436	District Transportation Power, Guntakal.	
33	Do.	„ 836	15,837	District Transportation Power, Bangalore.	
ELECTRICAL DEPARTMENT.					
34	Do.	„ 6151	13,834	District Electrical Engineer, Hubli.	
35	Do.	ERD 811	6,306	Chief Electrician.	
MEDICAL DEPARTMENT.					
36	Do.	ERB 837	15,837	District Medical Officer, Guntakal.	
37	Do.	„ 943	13,726	District Medical Officer, Hubli.	

Serial No	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
			Rs.		
			RELIEF CARRIAGES		
38	Four-wheeled Saloon	ERB 947	13,726		
39	Do.	„ 1405	10,350		
40	Do.	„ 1406 ^d	10,350		
41	Do.	„ 952	13,726		
42	Do.	„ 953	13,726		
43	Do.	„ 955	12,107		
44	Do.	„ 956	16,310		
45	Do	„ 1644	9,600		
46	Do.	„ 1645	9,600		
47	Do	„ 8001	15,060		
48	Do	„ 8004	13,088		
49	Do.	„ 806 [*]	2,937		
		Total ..	7,33,934		

* Replaced carriages.

ROHILKUND AND KUMAON RAILWAY (METRE GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
			Rs.		
1	Six-wheeled ..	1	11,545	Deputy Agent.	
2	Do. .	2	11,242	Traffic Superintendent.	
3	Bogie Carriage ..	3	13,865	Senior Government Inspector	
4	Four-wheeled carriage	9	5,500	Assistant Officers.	
5	Six-wheeled carriage.	10	6,764	District Locomotive and Carriage Superintendent.	
6	Four-wheeled carriage.	11	5,335	Assistant Officers.	
7	Do. ..	12	10,502	Assistant Engineer.	
8	Do. ..	19	6,198	Assistant Officers	
9	Do. ..	71	6,861	Do.	
10	Six-wheeled carriage	214	7,246	Resident Engineer.	
11	Four-wheeled carriage.	292	4,782	Assistant Engineer.	
		Total ..	89,840		

SOUTH INDIAN RAILWAY (METRE GAUGE).

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No	Description of saloon.	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
			Rs		
1	Bogie ..	B I. A.	36,003	Agent.	
2	Do.	B. I. C.	36,003	Chief Commercial Superintendent.	
3	Do.	B. I. T.	36,003	Chief Transportation Superintendent.	
4	Do.	B. I. M.	36,003	Chief Mechanical Engineer	
5	Do.	B. I. E. 1	19,000	Spare under Agent's order.	
6	Do.	B. I. E. 2	33,390	Chief Engineer.	
7	Do.	B A	11,938	Chief Medical Officer.	
8	Do.	B. I. 1	11,955	District Engineer	
9	Do.	B. I. 2	11,955	Spare under CTS. orders.	
10	Do	B I. 3	16,618	District Traffic Superintendent.	
11	Do	B. I. 4	16,618	District Engineer	
12	Do	B. I. 5	12,195	Do	
13	Do.	B. I. 6	12,195	District Mechanical Engineer.	
14	Do.	B. I. 7	12,195	District Engineer.	
15	Do.	B. I. 8	11,955	District Mechanical Engineer.	
16	Do.	B I. 9	14,074	District Engineer.	
17	Do.	B. I. 10	16,481	District Traffic Superintendent.	
18	Do.	B. I. 11	12,016	Do.	
19	Do.	B. I. 12	18,854	Signal and Telegraph Engineer (Deputy).	
20	Do.	B. I. 14	14,074	District Traffic Superintendent.	
21	Do.	B. I. 15	16,280	Spare for District Officers for relief purposes.	

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
			Rs.		
22	Bogie ..	B. J G	18,509	S. G. I of Railways.	} Replaced Carriage.
23	Four-wheeled ..	F. S. 36	4,390	District Engineer	
24	Do. ..	F. 5	4,792	Assistant Engineer	
25	Do. .	F. 7	4,792	Do.	
26	Do. ..	F. 9	4,792	Spare	
27	Do. ..	I. C. 1	1,729	District Engineer	
28	Do. ..	I. C. 3	3,252	Assistant Engineer.	
29	Do. .	I. C. 4	5,738	Do.	
30	Do. ..	I. C. 5	5,738	Do.	
31	Do. .	I. C. 7	5,738	Do.	
32	Do. ..	I. C. 8	5,738	Do.	
33	Do. ..	I. C. 9	5,738	Do.	
34	Do. ..	I. C. 10	5,738	Do.	} Replaced Carriage.
35	Do. ..	I. T. 13	3,467	Do.	
36	Do. ..	I. T. 11	5,115	Do. (Spare).	
		Total ..	4,93,071		

JODHPUR STATE RAILWAY (METRE GAUGE).

Statement showing particulars of saloon reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon	Individual number of saloon	Capital cost.	Class of officers entitled to the use of the saloon	Remarks.
			Rs		
1	Officer's Carriage Bogie.	40	13,009	Chief Engineer.	
2	Do.	41	13,961	Manager and Chief Traffic Manager	
3	Do.	42	27,672	Locomotive and Carriage Superintendent and Auditor.	
4	Officer's Carriage four-wheeled	60	8,507	Assistant Auditor.	
5	Do.	61	10,267	Assistant Traffic Superintendent	
6	Do.	62	6,826	Assistant Engineer	
7	Do.	63	5,061	Assistant Traffic Superintendent.	
8	Do.	64	5,988	Assistant Engineer.	
9	Do.	65	6,223	Assistant Locomotive Superintendent	
10	Do.	66	16,423	Executive Engineer	
11	Do.	67	20,842	District Locomotive Superintendent	
12	Do.	68	15,873	Assistant Engineer.	
13	Do.	69	16,223	Do.	
14	Do.	70	16,317	Assistant Traffic Superintendent.	
15	Do.	71	16,635	Spare.	
		Total ..	1,99,827		

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon	Remarks.
			Rs.		
BENGAL NAGPUR RAILWAY (NARROW GAUGE).					
1	Bogie .	G C. 28	15,581	Observation carriage.	
2	Do. ..	G C. 2	16,972	D T. S., A L. C S., and D. E., N. I R and M. C. B S.P and Administrative Officers.	
3	Do. ..	G. C. 3	16,972		
4	Do. .	004	13,769		
5	Do. ..	005	13,769		
6	Do. ..	006	15,039		
7	Do. ..	G. C 1	16,972	District Officers ADA.	
8	Do .	P. R. 10	15,904		
9	Four-wheelers ..	001326	7,131	Assistant Engineers and Inspectors of Satpura District.	
10	Do. ..	001327	7,131		
11	Do. ..	001328	7,131		
12	Do. .	001329	7,131		
13	Do. ..	001330	7,131		
14	Do. ..	001332	7,131		
15	Do. ..	001335	7,131		
16	Do. ..	001336	7,131		
17	Do. ..	001337	7,131		
18	Do. ..	001338	7,131		
			1,96,288		
GREAT INDIAN PENINSULA RAILWAY (NARROW GAUGE).					
1	Bogie ..	54	15,286	Transportation Officers, Bhusawal Division and Resident Engineer, Yeotmal.	

Statement showing particulars of saloons reserved exclusively for use of Railway Officers.

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon?	Remarks.
Rs.					
NORTH-WESTERN RAILWAY (NARROW GAUGE).					
<i>Kangra Valley Section.</i>					
1	Bogie	9	27,829	Administrative Officer, Executive Officers and Assistants	
2	Do . . .	16	14,757	Sub-divisional Officer, Palampur.	
<i>Kalabagh Bannu Section.</i>					
3	Bogie ..	8	14,205	Administrative Officer, Executive Officers and Assistants.	
<i>Kohat Thul Section.</i>					
4	4 wheeled ..	21	6,323		
<i>Zhob Valley Section.</i>					
5	Bogie	7	12,667	Administrative Officer, Executive Officers and Assistants.	
	Total	..	75,781		
SOUTH INDIAN RAILWAY (NARROW GAUGE).					
1	Bogie	I C I	7,627	All officers.	

Statement showing particulars of saloons maintained by Railways for use of other departments and Provincial Governments.

ASSAM-BENGAL RAILWAY (METRE GAUGE)

1	Reserved bogie saloon.	3748	40,852	H. E. the Governor of Assam
2	Reserved first class four-wheeler	937	14,982 ^b	Superintendent of Railway Police, Assam.
			55,834	

^bCost borne by Assam Government.

Statement showing particulars of saloons maintained by Railways for use of other departments and Local Governments

Serial No	Description of saloon	Individual number of saloon.	Capital cost	Class of officers entitled to the use of the saloon.	Remarks	
			Rs			
BOMBAY, BARODA AND CENTRAL INDIA RAILWAY (METRE GAUGE)						
1	Saloon Bogie	1	20,250*	} Viceregal train.	Not taken over by railway under new rules.	
2	Do	2	20,250*			
3	Staff Car Bogie	3	13,055			
4	Do.	4	13,055			
5	Dining Car Bogie	5	20,006*			
6	Staff Car Bogie	6	20,006*			
7	Kitchen Car Bogie	1571	11,819*			
8	Officers' Carriage Bogie	17	9,945	Hon'ble the Resident for Rajputana.		
9	Officers' Carriage four-wheeled.	200	9,307	Superintendent of Government Railway Police (Indore)		
10	Do.	22	2,810	Railway Magistrate, Ajmer.		
			1 40 503			
EASTERN BENGAL RAILWAY (METRE GAUGE).						
1	Bogie	1	23,918	} H. E the Governor of Bengal.		
2	Do. . .	4	70,154			
3	Six-wheeler	2007	12,589	Superintendent, Railway Police, Saidpur.		
			1,06,661			

*These figures do not include cost of additions paid for by Government on which percentage of maintenance is also levied.

Statement showing particulars of saloons maintained by Railways for use of other Departments and Provincial Governments.

Serial No.	Description of saloon	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon	Remarks.
			Rs		
	MADRAS AND SOUTHERN MAHARATTA RAILWAY (METRE GAUGE).				
1	Four-wheeled	E C E 6152	13,834	Superintendent of Police, Poona	Cost borne by Bombay Government.
	SOUTH INDIAN RAILWAY (METRE GAUGE).				
1	Bogie	B. I P	17,654	Superintendent, Government Railway Police.	Capital cost borne by local Government.
	BENGAL NAGPUR RAILWAY (BROAD GAUGE).				
1	RA—Bogie	1004	34,808	His Excellency the Governor of the C P and Berar, Nagpur	
2	Do " ..	5316	69,554	His Excellency the Governor of Orissa	
3	E. R. B. .	413	24,250	Superintendent, G. R. Police, Raipur	
	Total .	..	1,28,612		
	BOMBAY, BARODA AND CENTRAL INDIA RAILWAY (BROAD GAUGE)				
1	Six-wheeled ..	11	19,381	Superintendent, Government Railway Police	
2	Bogie ..	35	28,116	Resident for Central India.	
	Total ..		47,497		

* This is E. I. Railway tourist car temporarily placed at the disposal of H. E. the Governor of Orissa and maintained by B. N. Railway.

Statement showing particulars of saloons maintained by Railways for use of other departments and Provincial Governments.

Serial No.	Description of saloon.	Individual number of saloon.	Capital cost.	Class of officers entitled to the use of the saloon.	Remarks.
			Rs		
EASTERN BENGAL RAILWAY (BROAD GAUGE)					
1	Bogie ..	1230	1,24,432	H. E. the Governor of Bengal.	Not taken over by Railway under new rules.
2	Bogie .	1231			
3	Four-wheeler .	1411	12 836	Superintendent, Government Railway Police.	
	Total .		1,37,268		
EAST INDIAN RAILWAY (BROAD GAUGE)					
1	Bogie reserved .	4899	20,531	H. E. the Governor of the U P.	
2	Do. ..	4900	20,531	Do.	
3	Do .	1404	3,124	Staff of H. E. the Governor of the U P	
4	Do ..	4966	82,573	H. E. the Governor of Bihar	
5	Do. .	4967	78,411	Do	
6	Do. ..	4918	45,162	G O C., Eastern Circle, Lucknow	
	Total ..	..	2,50,332	
7	Four-wheeler reserved.	1930	11,923	Superintendent, Government Railway Police, Howrah.	
8	Do. ..	1927	11,438	Superintendent, Government Railway Police, Agra	
9	Do. ..	4880	11,921	Superintendent, Government Railway Police, Lucknow.	
	Total ..	..	35,282	
	Grand Total ..		2,85,614		

Statement showing particulars of saloons maintained by Railways for the use of other departments and Provincial Governments.

Serial No.	Description of saloon	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon	Remarks.
			Rs		
GREAT INDIAN PENINSULA RAILWAY (BROAD GAUGE)					
1	Bogie	2489	77,017	H. E. the Governor of Bombay	
2	Do	2490	58,762	H. E. the Governor of Bombay's dining and sleeping car	
3	Do	2491	78,550	H. E. the Governor of Bombay (double gauge)	
4	Do	2492	82,372	H. E. the Governor of Bombay, dining car (double gauge).	
5	Do.	2488	34,919	G O C. Southern Command	
	Total	..	331,162		
6	Four-wheeled ..	2321	27,607	Superintendent, Government Railway Police, Hbd	
7	Do	2456	13,685	Superintendent, Government Railway Police, Poona.	
	Total	.	41,292		
	Grand Total	.	3,72,912		
MADRAS AND SOUTHERN MAHRATTA RAILWAY (BROAD GAUGE).					
1	Bogie ..	WCR 1	30,773	H. E. the Governor of Madras	
2	Do.	2	69,138	Do	
3	Do. ..	CR 3	81,889	H. E. the Governor of Madras, dining saloon.	
	Total ..	.	1,81,800		
4	Six-wheeled ..	ECE 23	33,929	Superintendent, Government Railway Police.	Cost borne by Madras Government
	Grand Total ..	..	2,15,729		

Statement showing particulars of saloons maintained by Railways for use of other departments and Provincial Governments

Serial No	Description of saloon.	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon.	Remarks.
			Rs		
NORTH-WESTERN RAILWAY (BROAD GAUGE).					
1	Saloon Bogie	1	2,95,358	His Excellency the Viceroy's Special.	
2	Do	2			
3	Do	3			
4	Do.	4			
5	Do	5			
6	Do	6			
7	Do	7			
8	Do.	8			
9	Do. ..	9			
10	Do.	10			
11	Do.	11	65,150	His Excellency the Governor of the Punjab	
12	Do. ..	12			
13	Do	13			
14	Do. ..	14	24,803	His Excellency the Governor of the N. W. F. P	
15	Do.	15	45,916	Agent to Governor-General, Baluchistan.	
16	Do. ..	16	1,44,877	His Excellency the Commander-in-Chief.	
17	Do.	17			
18	Do. ..	18	19,602	G. O. C, Northern Command.	
19	Do. ..	19	53,780	G. O. C., Western Command.	
20	Do.	20	26,423	Officers of Defence Department.	
21	Do. ..	21	32,656		
22	Do. ..	26	45,071	Chief of the General Staff.	
23	Do. ..	27	3,10,898	Members of the Viceroy's Executive Council.	
24	Do. ..	28			
25	Do. ..	29			
26	Do. ..	30			

Serial No.	Description of saloon.	Individual number of saloon	Capital cost	Class of officers entitled to the use of the saloon.	Remarks
Rs NORTH-WESTERN RAILWAY (BROAD GAUGE)					
27	Saloon Bogie	31	26,521	Resident for Punjab States	
28	Do.	32	28,729	Officers of the Defence Department.	
	Total		11,19,784		
29	Do.	197	27,743	Assistant Inspector General of Railway Police	
30	Saloon Bogie four-wheeled.	173	Completion report awaited	Deputy Superintendent, Railway Police, N. W. F. P.	
31	Do	198	14,198	S. D. O., Government Railway Police.	
	Total ..		41,941		
	Grand total		11,61,725		

APPENDIX VIII.

Possibilities of economy by amalgamation of railways in India.

The Public Accounts Committee, while examining the Accounts of 1934-35, expressed a desire that the Railway Board should examine the possibilities of making a saving in the administration and operation of railways owned by the State by a judicious amalgamation of the various systems on the analogy of the amalgamation carried out in Great Britain about 15 years ago

2. The Railways of Great Britain have been amalgamated into four great systems. The composition of these four systems is as follows :—

The Great Western Railway

- (a) Original undertaking ,
- (b) Taff Valley Railway ;
- (c) A few minor administrations

London, Midland and Scottish.

- (a) London and North Western ;
- (b) Midland ;
- (c) Lancashire and Yorkshire ,
- (d) Caledonian ;
- (e) Glasgow and South-Western ;
- (f) Highland ;
- (g) A considerable number of minor administrations.

London and North-Eastern.

- (a) The Great Northern ;
- (b) North Eastern ,
- (c) Great Eastern .
- (d) Great Central ;
- (e) North British ,
- (f) Great North of Scotland ;
- (g) A considerable number of minor administrations.

The Southern Railway.

- (a) South-Eastern and Chatham ;
- (b) London, Brighton and South Coast .
- (c) London and South-Western ;
- (d) A few minor administrations.

It is interesting to note that the route mileage of the railways in Great Britain is very nearly the same as the route mileage of broad-gauge State-owned systems and systems worked by the State in India. Other things being

equal it would appear that, it having been found possible to amalgamate the vast number of railway systems in Great Britain into four administrations there is considerable room for a reduction of the number of railway systems in India. Further, it should not be forgotten that amalgamations have been successfully achieved in the past. For example, the present North-Western Railway system comprised the original Sind Punjab and Delhi Railway, the Indus Valley State Railway, the Punjab Northern Railway, the Southern Punjab Railway, the Delhi-Ambala-Kalka Railway, etc. the Great Indian Peninsula Railway comprises the old G. I. P. Railway undertaking and the Indian Midland Railway, the East Indian Railway comprises the old East Indian Railway and the Oudh and Rohilkhand State Railway, the Madras and Southern Mahratta Railway comprises the Southern Mahratta Railway and part of the old Madras Railway, the present South Indian Railway comprises the old South Indian Railway and a portion of the Madras Railway. There are other examples but these will suffice to show that the possibilities of amalgamation have not been lost sight of in the past.

3 The question now before us is --can we further reduce the number of systems and, by so doing, effect a saving in administration and operating expenses? Attached to this memorandum will be found a map (not printed) showing a scheme for three broad gauge systems, one combined broad gauge and metre gauge system, and two metre gauge systems, a total of six against the existing ten systems. The mileage of each of these amalgamated systems would be as follows :—

<i>Broad Gauge—</i>					Route miles
North-Western Railway	..	.	.	..	7,091
East Indian Railway	.	.	.	.	7,110
Great Indian Peninsula Railway	..	.	..	..	6,826
Southern Railway	..	.	.	.	6,137
<i>Metre Gauge—</i>					
Great Eastern Railway	.	.	..	.	3,078
Great Western Railway	.	..	.	.	4,437

The mileage of the four systems in Great Britain are as follows :—

					Route miles
Great Western Railway	..	..	.	.	3,793
London, Midland and Scottish			.	..	6,941
London and North-Eastern	..	..	..	..	6,901
Southern Railway	..	..	..	..	2,167

4. When the bill for the amalgamation of the systems in Great Britain was placed before Parliament, many advantages were claimed for the scheme. The main ones may be said to have been as follows :—

- (a) the elimination of uneconomical competition ;
- (b) the consolidation of finances ;
- (c) the pooling of rolling stock and equipment ;
- (d) the co-ordination of workshop and repair facilities ;

- (e) the running of through services on increased distances ,
- (f) the centralisation of the purchase and stores organisation :
- (g) the unification of financial policy and of managerial control, with all that it stands for, such as standardisation of stock, the co-ordination of policy, the massing of advertisement and superior salesmanship of transportation

Though there has undoubtedly been a considerable saving by amalgamations in Great Britain, the economies effected have fallen far short of anticipations. In regard to India, a great many of the advantages obtained by amalgamation have been obtained by State Railway ownership and State control, even although certain of the railways are Company-managed, though State-owned. We may examine in detail if the advantages claimed for amalgamation in Great Britain would be obtained in India.

5 *Elimination of uneconomical competition* This undoubtedly existed in the past, but now-a-days there is the closest co-operation between State-owned and State-managed Railways and Company-owned and Company-managed Railways. To take an example two or three years ago, the B. B. and C. I. Railway had an opportunity of diverting a large portion of the G. I. P. Railway cotton traffic to the sea route *via* Surat. As soon, however, as it was found out that the B. B. and C. I. Railway rating structure allowed this diversion, despite the fact that the diversion of traffic was greatly to the advantage of the B. B. and C. I. Railway, they adjusted their rates so that the traffic could be retained to the G. I. P. though it was a State-owned and State-managed system. Another example : all goods traffic over the G. I. P. and B. B. and C. I. routes between Bombay and Delhi is pooled. Many other similar examples could be quoted, but these may suffice to indicate the policy of co-ordination in regard to competitive traffic now adopted by the State-owned Railways in India.

6. *Consolidation of finances* - All earnings may be said to go into a common pool, the Company-managed Railways drawing their share for cost of management and surplus profits, depending on the amount of money invested in the undertakings and in accordance with their contracts with the Secretary of State.

7 *Pooling of rolling stock and running of through services* - The Broad gauge goods stock of Indian Railways has been pooled for the last 20 years. Roughly 120,000 out of 140,000 broad gauge wagons are in the wagon pool. Amalgamation will not change the position in any way whatsoever. No large saving can be expected on this account except possibly by the reduction of wagon-examining stations which would be brought about by a reduction in the number of junctions between railways. Efforts are being made to get savings in this respect even with the present distribution. Coaching stock is freely interchanged between railways, for example, Bombay, Baroda and Central India stock and North-Western stock run between Bombay and Peshawar, Great Indian Peninsula and Madras and Southern Mahratta Railway stock run between Bombay and Madras; East Indian Railway stock runs between Calcutta and Bombay, etc., etc. A proposal to pool mela stock so that it can be placed at the disposal of different railways when required, is at present under consideration. Amalgamation would not help greatly in this respect.

As regards locomotives when one railway has a surplus, this is sent to another railway to avoid purchase of new locomotives. If we take the pooling of locomotives in the other sense, namely, intensive use of power the distances run on each main line railway are sufficient to get the full advantages of pooling on each individual railway. In Great Britain the longest distances run by one locomotive are between London and Glasgow and London and Edinburgh, in each case a distance of almost exactly 400 miles. In India the same locomotive runs between Igatpur and Itarsi, a distance of 379 miles. It cannot, therefore, be claimed that amalgamation of railways in India would show great savings in this respect.

8. *Coordination of workshop and repair facilities*—Let us examine the possibilities of effecting economies on each of the proposed broad gauge systems.

The following are the existing workshops :—

North-Western Railway :—

Moghalpura.

Sukkur.

East Indian Railway —

Jamalpur

Lilloah.

Kanchrapara

Lucknow

Khargpur

Ondal (a small shop for wagon repair).

Great Indian Peninsula Railway :—

Parel, G. I. P.

Parel, B. B. and C. I.

Matunga.

Dohad.

Jhansi.

Southern Railway —

Perambur.

Trichinopoly (Golden Rock).

Hubli.

The amalgamated British railway systems have the following shops :—

Great Western.—

Swindon,

Wolverhampton,

Newport.

London, Midland and Scottish.--

Crewe,
Derby,
Horwich,
Earl's Town,
St. Rollox,
Wolverton,
Inverness

London and North-Eastern --

Stratford,
Doncaster,
Gateshead,
Cowlairs,
Aberdeen,
Gorton.

Southern.--

Ashford,
Eastleigh.

On a strict mileage basis it would not appear that the number of shops on the proposed new Indian systems would be excessive. But it has to be admitted that the total rolling stock in Great Britain, locomotives, carriages and wagons, is very greatly in excess of the rolling stock of the railways of India. But against this are the enormous distances which have to be traversed in India. It is quite clear that there could be no reduction on the North-Western Railway. It would be an uneconomic proposition to haul all stock from, say, the Quetta or Karachi Divisions to Lahore for repairs when a shop is in existence at Sukkur. On the new East Indian Railway system it might be possible to close down one shop, say, Kanchnrapara. On the Great Indian Peninsula Railway, it might be possible to concentrate carriage repairs at Matunga and wagon repairs at Parel, Bombay, Baroda and Central India for the Bombay, Baroda and Central India and southern divisions of the Great Indian Peninsula. It would, however, probably be necessary to retain Jhansi as a carriage and wagon shop for the northern divisions of the Great Indian Peninsula. The locomotive shops at Jhansi have already closed down and all work is concentrated in Parel. It would probably be necessary to retain Dohad for the Bombay, Baroda and Central India locomotives. It is interesting to note in passing that during the past 20 years the Great Indian Peninsula Railway have closed down the locomotive shops at Bhusaval, Igatpur, Lonvala, and Jhansi, and the North-Western Railway have closed down loco shops at Karachi, Quetta, Multan, Rawalpindi, Kalka and Saharanpur.

9. On the Southern Railway it should be possible to close down Hubli, and concentrate metre gauge repairs at Trichinopoly and broad gauge repairs

at Perambur. In assessing the value of the concentration of work at a small number of shops it has to be realised that the main saving is in administration. There will be no saving in cost of material and not a great deal of saving in the cost of labour. Savings can be best effected by concentrating the manufacture of certain articles in one shop but this is a policy which can be adopted, and endeavours are being made to do so, quite independently of amalgamation. As an example of what has been done, all underframes are manufactured at Tatanagar which is under the administration of the East Indian Railway. Taking everything into consideration, it is not considered safe to allow more than a 5 per cent saving in workshop costs as a result of amalgamation.

10. *Centralisation of purchase and stores organisation*—So far as State-managed Railways are concerned, the great volume of stores common to all railways are already purchased through the Indian Stores Department and this policy is being extended year by year. Stores, such as rails, coaching underframes and wagons are purchased through the Railway Board. All coal for State Railways is purchased by the Railway Board and, though the Company-managed Railways make their own purchase, this is done after consultation with the Chief Mining Engineer with the Railway Board and there is the closest co-operation. It is not considered that very great advantages in this respect would come through amalgamation, but a 10 per cent saving may perhaps be expected in the administration of the Stores Department.

11. *Unification of financial policy*—In India the financial policy is laid down by the Railway Board. The powers of the company-managed Railways in this respect are very limited. The Railway Board have set up an organisation for standardisation of rolling stock and equipment. Amalgamation will not affect this in any way whatsoever.

12. It, therefore, appears quite clear that Indian Railways cannot expect the same saving as British Railways from amalgamations, and it is considered that, of the savings which can fairly be counted on, are a certain saving in administration, a certain saving in workshops and a certain saving in the stores purchase organisation. The details of savings on the administration side for a scheme as suggested above are as follows—

					Lakhs.
South Indian	..	.	..	.	6
Bombay, Baroda and Central India		..	..	.	7
Bengal Nagpur	..	..	..	..	6
Eastern Bengal	..	..	..	.	4
Bengal and North-Western		..	..	.	5
Total					28
or say roughly					30 lakhs
					per annum
a 5% saving on workshops costs	..	..	..	..	24 lakhs
a 10% savings on stores staff costs	..	..	..	..	6 lakhs.
Grand Total					60 lakhs

13. It must not be forgotten, however, that there is no guarantee that amalgamations, having met with success in Great Britain, will meet with the same success in India. The conditions differ very considerably. The railways in Great Britain are concentrated in an area less than the area of the Punjab.

The railways of India are spread over a great continent, and the areas which it is proposed to serve by the amalgamated railway systems cover areas considerably in excess of the whole of Great Britain. The longest distance between any railway station and a railway headquarters in Great Britain is 600 miles. No big manufacturing centre is more than 450 miles from the headquarters of a railway. Glasgow the second largest city in Great Britain, is only 6½ hours journey from London. In India a 24 hours' journey is an everyday occurrence. This will indicate that control of large systems in India is considerably more difficult than in Great Britain.

14 The amalgamations proposed would entail an alteration of the whole rating structure of India which would probably mean the sacrifice of some revenue. Then again, there is the question of the different scales of pay on different units of the amalgamated railways. There would be agitation for the coordinating of these scales, naturally in the upward direction, which it might be difficult to resist. This would mean an increase in working expenses. The total cost of levelling up wages on the different system would be about Rs. 184 lakhs. It is, of course, not suggested that on amalgamation such a policy should be adopted, but it might be difficult to justify to labour organisations two persons on the same railway doing exactly the same work and with the same length of service drawing different rates of pay. These examples of the difficulties of amalgamation are recorded merely to show that the estimated economies through amalgamation might be largely wiped out as was the case in Great Britain.

15 It is not claimed that this note is an exhaustive examination of the subject of amalgamation. To get a reliable estimate would require a detailed examination by a committee of officers of the different departments concerned and would be a lengthy procedure.

16. Actually at the moment amalgamation is not a live issue as the Wedgwood Committee point out in their recent Report, paragraphs 197 and 201 of which may be appropriately be quoted here.

“ 197. *Disadvantage of unwieldy administrations.*—We have considered whether we can in existing conditions make any recommendations as to the amalgamation of railway administrations.

It is clear that at the present time nothing can be done as regards the privately-managed railways. These have their contracts with Government which terminate at the option of Government as follows .—

<i>Railway</i>	<i>Date of expiry of contract.</i>
Assam Bengal	31st December 1941 or at the end of any succeeding tenth year on 12 months previous notice.
Bombay, Baroda and Central India	31st December 1941 or at the end of any succeeding fifth year, on 12 months previous notice.
Bengal and North-Western	31st December 1942, on 12 months previous notice.
Madras and Southern Mahratta	31st December 1945, on 12 months previous notice.
South Indian	31st December 1945 or at the end of any succeeding fifth year, on 12 months previous notice.
Bengal Nagpur	31st December 1950 or at the end of any succeeding fifth* year, on 12 months previous notice.

When the contracts terminate, but not before, the Government have the option of taking over each of these administrations, and can then consider whether they should combine them with any of the existing State-managed administrations.

“ If it should be decided that the proper policy is for the Government in course of time to take over the whole of the railway administrations, we are of opinion that it would still be desirable for them to maintain separate state-managed administrations of reasonable dimensions. If the administrations are unduly extensive, headquarters supervision becomes too remote, and the machine as a whole becomes unwieldy. The *esprit de corps* of such overgrown concerns is weakened and they lose the individuality that comes from direct personal initiative at the top. We think there is also much to be said for preserving a measure of rivalry between different administrations, particularly at one centre. This tends to stimulate efficiency of service and progressive ideas of management.

“ Acting on these principles we would suggest that the ultimate grouping might be as follows .—

East Indian Railway	As at present
Eastern Bengal and Assam Bengal Railways ..	To be combined in one group.
North-Western Railway	As at present.
Great Indian Peninsula Railway	As at present
Bombay, Baroda and Central India Railway	As at present.
Madras and Southern Mahratta and South Indian Railways	To be combined in one group.
Bengal Nagpur Railway	As at present.

If it is proposed to take over the Bengal and North-Western Railway, it would in our opinion be best to maintain its separate organisation as at present.

“ 201 *Amalgamation of Railway Administrations.*—We consider that no amalgamation of railways is desirable at the present time. Our reason for coming to this conclusion is that no amalgamation at present possible would fall in with the scheme of ultimate grouping already outlined (paragraph 197).

“ We have considered in particular the arguments for and against the amalgamation of the Eastern Bengal Railway with the East Indian Railway. This would produce certain superficial economies, but we believe these would be effected at the expense of the proper management and supervision of the enlarged system. The East Indian Railway organisation is already in our opinion fully large enough for the conditions of economic management ”

“ We have suggested that at a later date the Eastern Bengal Railway could be amalgamated with the Assam Bengal Railway and that the two Railways would constitute a convenient unit for economical management, but such an amalgamation for obvious reasons is not a possibility at the present time ”.

APPENDIX IX.

Financial results of the Madras Suburban electrification on the South Indian Railway.

Three statements are attached, giving the financial results for the years 1932-33 to 1936-37 of the Madras Suburban Electrification on the South Indian Railway. Statement A is based on the views of the Consulting Engineers in London of the South Indian Railway. Statement B has been prepared by the Agent, South Indian Railway under certain instructions issued by the Railway Board. Statement C has been prepared by the Agent, South Indian Railway, in consultation with the Statutory Audit Officer who has accepted the statement subject to a certain qualification.

2. The results according to the various statements may be summarised as follows:—

Year.	Tram miles (in lakhs).	Percentage of return accord- ing to the Ry Administra- tion's Con- sulting Engi- neers.	Percentage of return accord- ing to the Agent's state- ment prepared under Ry. Board's instructions.	Percentage of return tenta- tively accept- ed by the Sta- tutory Audit subject to a qualification.
Estimate . .	Not available	13 00		
1932-33 . .	6.77	8 64	5.79	4 98
1933-34 .. .	6.13	7 44	2.41	2.07
1934-35 .. .	6.01	10.53	4 23	3.79
1935-36 .. .	5 91	7.77	2 31	1.99
1936-37	6.11	8.57	2 73	2.39

3. There are some important points of difference in the bases on which the three statements have been prepared, especially between the statement of the Consulting Engineers and the other two statements. These points are still under discussion between the Railway Board and the Director of Railway Audit.

STATEMENT A.

Particulars.	1932-33	1933-34	1934-35	1935-36	1936-37.
Traffic in lakhs of train miles (steam)	6.77	6.13	6.01	5.91	6.11
		L a k h s	o f	R u p e e s	
Gross outlay on electrification	62.69	62.69	62.69	62.69	62.69
If no Electrification, estimated extra steam outlay for increased traffic.	39.01	39.01	39.01	39.01	39.01
Cost of steam stock released because of Electrification	8.63	8.63	8.63	8.63	8.63
Net outlay on electrification (Item 2—Item 3—Item 4).	15.05	15.05	15.05	15.05	15.05
Cost of steam working—working expenses excluding depreciation.	6.64	6.06	6.08	5.85	5.72
Cost of electrical working—working expenses excluding depreciation.	4.89	4.49	4.00	4.24	3.98
Gross savings in working expenses due to electrification (Item 6—Item 7).	1.75	1.57	2.08	1.61	1.74
Depreciation on gross outlay on electrification at 3 % (Item 2)	1.88	1.88	1.88	1.88	1.88
Depreciation on steam outlay avoided at 3% on Items 3 and 4.	1.43	1.43	1.43	1.43	1.43
Increase in annual depreciation charges due to electrification (Item 9—Item 10).	0.45	0.45	0.45	0.45	0.45
Net savings in working expenses due to electrification (Item 8—Item 11).	1.30	1.12	1.63	1.16	1.29
Percentage of net savings on net outlay.	8.64	7.44	10.83	7.77	8.57

STATEMENT ' B '.

Particulars.	Estimate.	Actuals.				1936-37.
		1932-33	1933-34.	1934-35	1935-36.	
1. Traffic in lakhs on train miles (steam)	6.77	6.13	6.01	5.91	6.11	
		L a k h s	o f	R u p e e s.		
2. Gross outlay on electrification	47.36	62.69	72.85	73.09	73.57	73.69
3. If no electrification, estimated extra steam outlay for increased traffic.	31.12	36.57	36.57	36.57	36.57	36.57
4. Cost of steam stock released because of electrification.	7.21	6.76	6.76	6.76	6.76	6.76

STATEMENT 'B'—*contd.*

Particulars.	Estimate.	Actuals				
		1932-33	1933-34.	1934-35	1935-36	1936-37
		L a k h s o f R u p e e s				
5 Net outlay on electrification (Item 2—Item 3—Item 4)	9.03	19.36	29.52	29.76	30.24	30.36
6. Cost of steam working—Working expenses excluding depreciation	5.77	6.59	6.09	6.15	5.25	5.72
7 Cost of Electrical working—Working expenses excluding depreciation	4.31	4.80	4.49	4.00	4.24	3.98
8. Gross savings in working expenses due to electrification (Item 6—Item 7)	1.46	1.70	1.60	2.15	1.61	1.74
9 Depreciation on gross outlay on electrification at 3% (Item 2)	1.12	1.88	2.19	2.19	2.21	2.21
10 Depreciation on steam outlay avoided at 3% on Items 3 and 4	1.15	1.30	1.30	1.30	1.30	1.30
11 Increase in annual depreciation charges due to electrification (Item 9, Item 10)	0.27	0.58	0.89	0.89	0.91	0.91
12. Net savings in working expenses due to electrification (Item 8—Item 11)	1.19	1.12	0.71	1.26	0.70	0.83
13. Percentage of gross savings without allowing for depreciation on gross outlay (Item 8 \times 100/Item 2.)	Per-centage 3.08	Per-centage 2.71	Per-centage 2.20	Per-centage 2.94	Per-centage 2.19	Per-centage 2.36
13A Percentage of gross savings (after allowing for depreciation on electric outlay) on gross outlay (Item 8—9 \times 100/Item 2.)	0.08	—0.29	—0.81	—0.05	—0.82	—0.64
14. Percentage of gross savings on net outlay (Item 8 \times 100/Item 5.)	16.17	8.78	5.42	7.22	5.32	5.73
15. Percentage of net savings (after allowing for depreciation) on gross outlay (Item 12 \times 100/Item 2.)	2.51	1.79	0.97	1.72	0.95	1.13
16. Percentage of net savings (after allowing for depreciation) on net outlay (Item 12 \times 100/Item 5.)	13.18	5.79	2.41	4.23	2.31	2.73

STATEMENT "C".

1. Traffic in lakhs of train miles (steam)	.	6.77	6.13	6.01	5.91	6.11
2. Gross outlay on electrification ..	47.36	62.69	72.85	73.09	73.57	73.69
3. If no electrification, estimated extra steam outlay for increased traffic.	31.12	34.66	34.66	34.66	34.66	34.66
4. Cost of steam stock released because of electrification.	7.21	6.76	6.76	6.76	6.76	6.76
5. Net outlay on electrification (Item 2—Item 3—Item 4)	9.03	21.27	31.43	31.67	32.15	32.27
6. Cost of steam working—Working expenses excluding depreciation.	5.77	6.59	6.09	6.15	5.85	5.72

STATEMENT 'C'—*contd.*

Particulars	Estimate	Actuals				1936-37
		1932-33	1933-34	1934-35	1935-36	
7. Cost of electrical working—Working expenses excluding depreciation.	1.31	1.89	1.49	4.00	1.24	3.98
8. Gross savings in working expenses due to electrification (Item 6—Item 7)	1.46	1.70	1.60	2.45	1.61	1.74
9. Depreciation on gross outlay on electrification at 3% (Item 2).	1.42	1.48	2.19	2.19	2.21	2.21
10. Depreciation on steam outlay avoided at 3% on Items 3 and 4.	1.15	1.24	1.24	1.24	1.24	1.24
11. Increase in annual depreciation charges due to electrification (Item 9—Item 10)	0.27	0.64	0.95	0.95	0.97	0.97
12. Net savings in working expenses due to electrification (Item 8—Item 11)	1.19 Per-centage	1.06 Per-centage	0.65 Per-centage.	1.20 Per-centage.	0.64 Per-centage.	0.77 Per-centage.
13. Percentage of gross savings without allowing for depreciation on gross outlay. (Item 8×100/Item 2)	3.08	2.71	2.20	2.94	2.19	2.36
13A. Percentage of gross savings (after allowing for depreciation on electric outlay) on gross outlay (Item 8—9×100/Item 2)	0.08	—0.29	—0.81	—0.05	—0.82	—0.64
14. Percentage of gross savings on net outlay (Item 8×100/Item 5.)	16.17	7.99	5.09	6.79	5.01	5.39
15. Percentage of net savings (after allowing for depreciation) on gross outlay (Item 12×100/Item 2.)	2.51	1.69	0.89	1.64	0.87	1.04
16. Percentage of net savings (after allowing for depreciation) on net outlay (Item 12×100/Item 5.)	13.18	4.98	2.07	3.79	1.90	2.39

APPENDIX X.

Financial results of the electrification of Railways in Bombay.

The attached statements which have been prepared in consultation between the Railway Administration and the Statutory Auditor concerned show the financial results of the electrifications scheme on the Great Indian Peninsula and Bombay, Baroda and Central India Railways for the years 1930-31 to 1936-37. These have been prepared on the same basis as the statements which were placed before the Public Accounts Committee in previous years. The figures for the Great Indian Peninsula Railway show the result of all the schemes in a consolidated form as they are interdependent. Those for the B. B. and C. I. Railway exclude the figures for 'Borivli-Virar' extension as this was opened for traffic only from September 1936

2. The figures for the two railways are summarised below:—

		<i>Great Indian Peninsula</i>		<i>Bombay Baroda & Central India.</i>	
		Traffic in train miles.	Percentage of net savings on net outlay.	Traffic in train miles	Percentage of net savings on net outlay
		<i>Lakhs.</i>		<i>Lakhs</i>	
Estimate	..	55.40	10.51	16.60	16.93
1930-31		42.50	4.80	14.28	10.35
1931-32		41.87	5.37	13.43	10.96
1932-33	.	31.21	5.23	12.56	11.62
1933-34	..	41.85	4.90	14.00	13.43
1934-35	.	41.80	4.42	14.07	15.54
1935-36	.	42.37	4.86	14.31	16.63
1936-37	..	42.65	5.33	14.64	18.95

3. The more favourable results obtained on the Bombay, Baroda and Central India Railway, as compared with the results on the Great Indian Peninsula Railway, are partly due to the fact that the gross capital expenditure in the former case has been reduced to a much larger extent proportionately by the credit for the steam stock released, and partly to the fact that only the suburban section of the B. B. and C. I. Railway has been electrified.

4. The percentages given above have been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra outlay that would have been required for increasing traffic if no electrification had been carried out. This last is, as pointed out in the previous memorandum, problematical. Increased traffic has not materialised to the extent anticipated, and it is possible that some part of the estimated saving should be neglected. If the whole of it is neglected, the percentages will be as follows:—

				<i>Great Indian Peninsula.</i>	<i>Bombay, Baroda and Central India.</i>
1930-31	..	..	..	3.12%	3.18%
1931-32	..	..	..	3.58%	3.46%
1932-33	..	..	..	3.49%	3.77%
1933-34	..	..	..	3.24%	4.61%
1934-35	..	..	..	2.87%	5.53%
1935-36	..	..	..	3.20%	6.10%
1936-37	..	..	..	3.58%	7.34%

STATEMENT 'C'—*contd.*

Particulars.	Estimate	Actuals				1936-37
		1932-33	1933-34	1934-35	1935-36	
7. Cost of electrical working—Working expenses excluding depreciation	1 31	1 89	4 19	4 00	4 24	3 98
8. Gross savings in working expenses due to electrification (Item 6—Item 7).	1 46	1 70	1 60	2 15	1 61	1 71
9. Depreciation on gross outlay on electrification at 3% (Item 2)	1 42	1 88	2 19	2 19	2 21	2 21
10. Depreciation on steam outlay avoided at 3% on Items 3 and 4.	1 15	1 24	1 24	1 24	1 24	1 24
11. Increase in annual depreciation charges due to electrification (Item 9—Item 10)	0 27	0 64	0 95	0 95	0 97	0 97
12. Net savings in working expenses due to electrification (Item 8—Item 11)	1 19 Per- cen- tage	1 06 Per- cen- tage.	0 65 Per- cen- tage	1 20 Per- cen- tage	0 64 Per- cen- tage.	0 77 Per- cen- tage.
13. Percentage of gross savings without allowing for depreciation on gross outlay (Item 8×100/Item 2.)	3 08	2 71	2 20	2 94	2 19	2 36
13A. Percentage of gross savings (after allowing for depreciation on electric outlay) on gross outlay (Item 8—9×100/Item 2)	0 08	—0 29	—0 81	—0 05	—0 82	—0 64
14. Percentage of gross savings on net outlay (Item 8×100/Item 5)	16 17	7 99	5 09	6 79	5 01	5 39
15. Percentage of net savings (after allowing for depreciation) on gross outlay (Item 12×100/Item 2.)	2 51	1 60	0 89	1 64	0 87	1 04
16. Percentage of net savings (after allowing for depreciation) on net outlay (Item 12×100/Item 5.)	13 18	4 98	2 07	3 79	1 99	2 39

APPENDIX X.

Financial results of the electrification of Railways in Bombay.

The attached statements which have been prepared in consultation between the Railway Administration and the Statutory Auditor concerned show the financial results of the electrifications scheme on the Great Indian Peninsula and Bombay, Baroda and Central India Railways for the years 1930-31 to 1936-37. These have been prepared on the same basis as the statements which were placed before the Public Accounts Committee in previous years. The figures for the Great Indian Peninsula Railway show the result of all the schemes in a consolidated form as they are interdependent. Those for the B. B. and C. I. Railway exclude the figures for ' Borivli-Virar ' extension as this was opened for traffic only from September 1936.

2. The figures for the two railways are summarised below:—

	<i>Great Indian Peninsula.</i>		<i>Bombay Baroda & Central Indus.</i>	
	Traffic in tram miles.	Percentage of net savings on net outlay.	Traffic in tram miles.	Percentage of net savings on net outlay
	<i>Lakhs</i>		<i>Lakhs.</i>	
Estimate	55.40	10.51	16.60	16.93
1930-31	42.50	4.80	14.28	10.35
1931-32	41.87	5.37	13.43	10.96
1932-33	31.21	5.23	12.56	11.62
1933-34	41.85	4.90	14.00	13.43
1934-35	41.80	4.42	14.07	15.54
1935-36	42.37	4.86	14.31	16.63
1936-37	42.65	5.33	14.64	18.95

3. The more favourable results obtained on the Bombay, Baroda and Central India Railway, as compared with the results on the Great Indian Peninsula Railway, are partly due to the fact that the gross capital expenditure in the former case has been reduced to a much larger extent proportionately by the credit for the steam stock released, and partly to the fact that only the suburban section of the B. B. and C. I. Railway has been electrified.

4. The percentages given above have been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra outlay that would have been required for increasing traffic if no electrification had been carried out. This last is, as pointed out in the previous memorandum, problematical. Increased traffic has not materialised to the extent anticipated, and it is possible that some part of the estimated saving should be neglected. If the whole of it is neglected, the percentages will be as follows:—

				<i>Great Indian Peninsula.</i>	<i>Bombay, Baroda and Central India.</i>
1930-31	..	..	..	3.12%	3.18%
1931-32	..	..	..	3.58%	3.46%
1932-33	..	..	..	3.49%	3.77%
1933-34	..	..	..	3.24%	4.61%
1934-35	..	..	..	2.87%	5.58%
1935-36	..	..	..	3.20%	6.10%
1936-37	..	..	..	3.58%	7.34%

5. As was pointed out last year, the real percentage of net savings for each railway probably lies between the figures in paragraphs 2 and 4 and, in all probability, nearer the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case even if electrification had not been introduced, in order to improve the capacity of the line, though it is not now possible to state with any degree of accuracy the number of additional steam locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that, though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, land for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

Financial results of Suburban Electrification of the Bombay, Baroda and Central India Railway.

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No.	Particulars	Estimates.	Actuals 1930-31.	Actuals 1931-32.	Actuals 1932-33	Actuals 1933-34	Actuals 1934-35	Actuals 1935-36	Actuals 1936-37.
1	Traffic in lakhs of train miles (steam) ..	16 60	14 28	13 43	12 56	14 00	14 67	14 31	14 64
2	Gross outlay on electrification ..	204.28	202 90	202 90	202 90	202 90	202 90	202 90	202 90
3	If no electrification, estimated extra steam outlay for increased traffic	72 00	72 00	72 00	72 00	72 00	72 00	72 00	72 00
4	Cost of steam stock released because of electrification.	50.00	68.79	68 79	68 79	68 79	68 79	68 79	68 79
5	Net outlay on electrification (Item 2—Item 3—Item 4).	82 28	62.11	62 11	62 11	62 11	62 11	62 11	62 11
6	Cost of steam working—working expenses excluding depreciation	37.55	29 35	27 59	25 82	28.78	28 92	29 42	30 09
7	Cost of electrical working—working expenses excluding depreciation.	21 16	21.05	18 91	16 73	18.57	17 40	17 22	16 45
8	Gross savings in working expenses due to electrification (Item 6—Item 7).	16 39	8 30	8 68	9 09	10.21	11 52	12 20	13 64
9	Depreciation on gross outlay on electrification at 3 per cent. (Item 2).	6 12	6 09	6 09	6 09	6 09	6 09	6 09	6 09
10	Depreciation on steam outlay avoided at 3 per cent. on items 3 and 4	3 66	4 22	4 22	4 22	4 22	4 22	4 22	4 22
11	Increase in annual depreciation charges due to electrification (Item 9—Item 10).	2 46	1 87	1 87	1.87	1 87	1 87	1 87	1 87
12	Net savings in working expenses due to electrification (Item 8—Item 11).	13 93	6 43	6 81	7 22	8 34	9 65	10 33	11 77

No.	Particulars.	Estimates	Actuals 1930-31.	Actuals 1931-32.	Actuals 1932-33	Actuals 1933-34	Actuals 1934-35.	Actuals 1935-36.	Actuals 1936-37.
13	Percentage of gross savings without allowing for depreciation on gross outlay $\left(\frac{\text{Item 8} \times 100}{\text{Item 2}} \right)$	8.02	4.09	4.28	Percentages. 4.48	5.03	5.68	6.01	6.72
13-A	Percentage of gross savings (after allowing for depreciation on electrical outlay) on gross outlay $\left(\frac{\text{Item 8} - 9 \times 100}{\text{Item 2}} \right)$	5.03	1.09	1.25	1.48	2.03	2.68	3.01	3.72
14	Percentage of gross savings on net outlay $\left(\frac{\text{Item 8} \times 100}{\text{Item 5}} \right)$	19.82	13.36	13.97	14.63	16.44	18.55	19.64	21.96
15	Percentage of net savings (after allowing for depreciation) on gross outlay— $\left(\frac{\text{Item 12} \times 100}{\text{Item 2}} \right)$	6.82	2.17	3.36	3.56	4.11	4.76	5.09	5.80
16	Percentage of net savings (after allowing for depreciation) on net outlay— $\left(\frac{\text{Item 12} \times 100}{\text{Item 5}} \right)$	16.93	10.35	10.96	11.62	13.43	15.54	16.63	18.95
17	Percentage of net savings (after allowing for depreciation) on actual gross outlay (of 202.90) with traffic of 16.60 lakhs train miles.	6.86	3.68	4.15	4.70	4.87	5.62	5.90	6.58

STATEMENT 'A'.
Financial Results of the Great Indian Peninsula Railway Electrification Schemes.

Particulars	Estimate all Sections electrified Total Estimated	1930-31.	1931-32.	1932-33.	1933-34	1934-35.	1935-36	1936-37.
		3	4	5	6	7	8	9
1	2							
Traffic in lakhs of train miles (steam)	55 40	42 50	41 87	41 21	41 85	41 80	42 37	42 65
Gross outlay on electrification	950 90	912 65	953 93	959 72	959 78	959 20	959 53	959 71
If no electrification estimated extra steam outlay for increased traffic.	175 93	175 93	175 93	175 93	175 93	175 93	175 93	175 93
Cost of steam stock released because of electrification	254 71	172 98	172 98	172 98	172 98	172 98	172 98	172 98
Net outlay on electrification (Item 2—Item 4)	520 26	593 74	605 02	610 81	610 87	610 20	610 62	610 80
Cost of steam working, i.e., working expense excluding depreciation.	158 54	116 38	114 65	112 85	114 60	114 46	116 02	116 79
Cost of electrical working, i.e., working expenses excluding depreciation	87 52	72 85	66 83	65 08	68 51	71 67	70 51	68 41
Gross savings in working expenses due to electrification (Item 6—Item 7)	71 02	43 53	47 82	47 77	45 79	42 79	45 51	45 38
Depreciation on gross outlay on electrification	27 20	23 82	24 12	24 66	24 67	24 65	24 66	24 66
Depreciation on steam outlay avoided	10 88	8 81	8 81	8 81	8 81	8 81	8 81	8 81
Increase in annual depreciation due to electrification (Item 9—Item 10).	16 32	15 01	15 31	15 85	15 86	15 84	15 85	15 85
Net savings in working expenses due to electrification (Item 8—Item 11)	54 70	28 52	32 51	31 92	29 03	26 95	29 66	29 53

Particulars.	Estimate all Sections electrified Total Estimated.	1930-31.	1931-32	1932-33	1933-34.	1934-35.	1935-36.	1936-37.
1	2	3	4	5	6	7	8	9
				Percentages				
Percentage of gross savings on gross outlay— $\left(\frac{\text{Item 8} \times 100}{\text{Item 2.}} \right)$	7.47	4.62	5.01	4.98	4.77	4.46	4.74	5.04
Percentage of gross savings including depreciation on electrical assets only— $\left(\frac{\text{Item 3} - 9 \times 100}{\text{Item 2.}} \right)$	4.61	2.09	2.48	2.41	2.20	1.89	2.17	2.47
Percentage of gross savings on net outlay— $\left(\frac{\text{Item 8} \times 100}{\text{Item 5.}} \right)$	13.65	7.33	7.90	7.82	7.50	7.01	7.45	7.92
Percentage of net savings on gross outlay— $\left(\frac{\text{Item 12} \times 100}{\text{Item 2.}} \right)$	5.75	3.03	3.41	3.33	3.12	2.81	3.09	3.39
Percentage of net savings on net outlay— $\left(\frac{\text{Item 12} \times 100}{\text{Item 5.}} \right)$	10.51	4.80	5.37	5.23	4.90	4.42	4.86	5.33

APPENDIX XI.

Measures taken to encourage third class passenger traffic.

The Chief Commissioner Railways, during the course of the discussion at the Public Accounts Committee meeting held on the 28th July 1936, agreed to consider the question of making some experiments, particularly by reduction in fares, with a view to developing third class traffic.

2. Railways do in fact recognise the importance of offering additional inducement to passengers by the grant of special facilities and low fares to stimulate traffic. Brief particulars of a few endeavours on the part of Railways in this direction during the last year are as follows :—

- (i) During the Kurukshetra Solar Eclipse Fare improved arrangements were made for handling the traffic, costing approximately Rs 69,000. Thirty-two special trains were run to Kurukshetra and forty-nine from Kurukshetra to various stations on the North-Western Railway. The Agent mentioned that the profits in this case were more than wiped out by the cost of temporary arrangements which were necessitated for the convenience of passengers.
- (ii) On the occasion of the United Provinces Industrial and Agricultural Exhibition held at Lucknow during December-February last, the East Indian Railway took the following measures—
 - (a) In co-operation with the exhibition authorities they introduced Rail-cum-Exhibition tickets for third class passengers. Under this arrangement week-end tickets, which are ordinarily issued on Fridays and Saturdays, were issued during the Exhibition period on every day of the week, available for the return journey from the date of issue up to midnight of the 7th day. Third class passengers could buy supplementary tickets at half rates entitling them to admission to the Exhibition grounds.
 - (b) A siding designated “ Lucknow Industrial Area Exhibition Siding ” was provided to serve the Exhibition grounds.
 - (c) Special trains were run from certain centres to Lucknow and back. 110 special trains were run between Cawnpore and Lucknow.
 - (d) A Booking Office and Information Bureau was opened in the Railway Pavilion situated in the Exhibition grounds.
 - (e) In co-operation with the Exhibition authorities railway fares were further reduced from certain important centres, e.g., Benares Cantonment, Rai Bareilly, Allahabad, Cawnpore, etc., as follows :—

Section			Ordinary weekend fares.	Reduced fares.
			Rs A	Rs. A.
Benares to Lucknow and back	..	..	3 15	3 7
Rai Bareilly to Lucknow and back	..	..	1 3	0 15
Allahabad to Lucknow and back	..	..	2 13	2 7
Cawnpore to Lucknow and back	..	..	1 1	0 14

- (iii) In connection with the recent Sri Ram Birthday Centenary celebrations in Calcutta in February and March, special concessions in fares were introduced both by the E. B. and E. I. Railways
- (iv) In connection with the recent Jamboree on the 30th January 1937 a boy scouts special train was successfully organised and run from Howrah to Delhi calling at the Lucknow Exhibition on the outward trip and at Agra on the return journey. The special train carried 800 boy scouts and yielded a return of 3.84 rupees per train mile. Special catering arrangements were made by the Railway for the party.
- (v) During the recent Coronation celebrations, four excursion specials were run from Burdwan in order to afford residents in the suburban areas an opportunity of witnessing the flood lighting and illuminations in Calcutta.
- (vi) A new special weekend second and third class express service known as the "Flying Rani" has been inaugurated by the Bombay, Baroda and Central Indian Railway to carry Bombay citizens to and from the seaside resort of Surat. The third class return fare is only Rs. 3-13-0 as against the ordinary normal 3rd class fare by Mail or Express of Rs. 3-8-0 for the single journey. As adding further to its popularity, special tickets have been issued to ladies since May 1929, enabling them to travel at single fares for the return journey, instead of paying the normal 1-1/3 fare for this weekend train.

The journey is booked to be covered in four hours which, making allowance for the stoppages, would be equal to a non-stop speed of 54½ miles per hour.

- (vii) During the last Christmas and Easter Holidays the Great Indian Peninsula, Madras and Southern Mahratta and South Indian Railways issued 'Travel as you like' and 'Zone' tickets for third class passengers at reduced lump sum fares, available for unlimited travel over the whole railway, or the zone, as the case may be, for a period of 15 days from the date of issue as detailed below.

3. *Great Indian Peninsula Railway.* (i) *Third Class Zone Tickets.*—For this purpose the Great Indian Peninsula Railway system (excluding narrow gauge sections) was divided into four zones each covering a mileage ranging between 910 and 990 miles. For travel over each zone the fare was Rs. 7-8-0 per head for adults and Rs. 4 for children as against about Rs. 15 which is the ordinary fare for the journey for the average entire mileage covered by each zone.

(ii) *Third Class Travel As You Like Tickets* —These tickets were available over the whole railway (except narrow gauge sections) at Rs. 27-8-0 per head for adults and Rs. 15 for children.

4. *Madras and Southern Mahratta Railway.* (i) *Zone Tickets.*—The Madras and Southern Mahratta Railway system was divided into three sections, the total mileage of each of these being 1020, 938, and 972 miles.

The fare charged for each zone was Rs. 10 per head for adults and Rs. 5 for children, the single journey third class fare for an average of 990 miles being Rs. 18/13 by mail and Rs. 14/1 by ordinary train

(n) *Travel As You Like Tickets* —These tickets were available over the whole Railway at Rs 12-8-0 per head for adults and 6-4-0 for children.

5. *South Indian Railway. Third Class Travel As You Like Tickets.*—These tickets were available over the whole Railway at Rs 12-8-0 per head for adults and Rs 6-4-0 for children.

6. With a view to making an intensified effort in the matter dealt with in this note, the Board held a meeting of the Commercial Officers of State-managed Railways in January last, and the Railways were then instructed to examine the question of experimenting on their own systems and jointly in consultation with each other the possibility of running special trains for special occasions at experimental low fares. Considerable care had to be exercised in selecting suitable occasions which would ensure that the running of special trains at lower fares would not involve loss of revenue on ordinary traffic. If Railways can be assured that the special low fares would secure them new traffic, they would be prepared to consider the running of special trains at a low fare of one pie per mile per passenger in each direction.

APPENDIX XII.**Number of free railway passes.**

At the meeting of the Public Accounts Committee held on the 21st July, 1936, information was desired about the total number of free railway passes issued in a year.

2. In 1933, such information was obtained in respect to the Class I Railways for the financial year 1932-33. This is tabulated below —

	<i>I Class.</i>	<i>II Class.</i>	<i>Inter Class</i>	<i>III Class.</i>
Number of passes	16,653	1,39,405	3,59,063	9,52,050

APPENDIX XIII.

Summary of the approximate financial results of Indian State-owned Railways in 1936-37.

Approximate figures of Railway Revenue and Expenditure for 1936-37 which are now available show a surplus of about 1,20 lakhs which is nearly 1,05 lakhs more than the Revised Estimates made in February last and is better by about $5\frac{1}{4}$ crores than the actuals for 1935-36

Railway Revenues have been steadily improving since the beginning of the year 1936-37. The sign of improvement was evident in the last five or six weeks of the year 1935-36.

Gross Traffic Receipts of State-owned Railways for 1936-37 amounted to about $95\frac{1}{2}$ crores or $4\frac{3}{4}$ crores more than the previous year.

Ordinary working expenses (excluding depreciation) amounted to about $50\frac{1}{2}$ crores or about $2/3$ rd of a crore less than in the previous year. The amount set apart for depreciation being 13.15 crores, was 10 lakhs less than in the previous year

Net traffic receipts amounted to 32.10 crores or about $5\frac{1}{2}$ crores more than in 1935-36.

Miscellaneous transactions resulted in a net expenditure of 9 lakhs against a net receipt of 88 lakhs in the previous year. This was mainly due to the treatment of credits for released materials as reduction of expenditure from the Depreciation Fund in 1936-37. In the previous year these were treated as miscellaneous receipts. The amount involved is 1.10 crores in 1935-36 and 1.09 crores in 1936-37.

The net revenue available for meeting interest charges was 32.01 crores or $4\frac{1}{2}$ crores more than in 1935-36.

The total interest payable was 30.81 crores as against 31.39 crores in 1935-36 i.e., nearly half a crore less

There was a surplus of about $1\frac{1}{4}$ crores during 1936-37 as against a deficit of nearly 4 crores in 1935-36. But for the change in accounting procedure of credits for released materials on account of which there has been a reduction in miscellaneous receipts to the extent of a crore the surplus as compared with the figures for 1935-36 would have been a little over $2\frac{1}{4}$ crores.

The appropriation to depreciation fund was 13.15 crores and the amount withdrawn for renewals amounted to 7.88 crores (net including 1.09 crores for credits for released materials). The net accretion to the fund during the year was $5\frac{1}{4}$ crores. This amount together with the surplus of about $1\frac{1}{4}$ crores mentioned above increased the balances of the fund by $6\frac{1}{2}$ crores.

The actual balance at credit of the fund now stands at 16 crores, and the nominal balance at about $46\frac{1}{2}$ crores.

The total capital expenditure was just above $1/4$ th of a crore. The store balances have been reduced to $9\frac{1}{8}$ crores from $9\frac{1}{2}$ crores at the end of 1935-36.

At the end of 1936-37, the liabilities of Railways amounted to 61 crores of which $30\frac{1}{4}$ crores represent loans from depreciation fund and $30\frac{3}{4}$ crores unpaid contributions due to general revenues from 1931-32 to 1936-37.

The ratio of ordinary working expenses to gross traffic receipts was $52\frac{1}{2}\%$.

The ratio of total working expenses (including depreciation fund) was 66%.

These ratios are lower than those in the previous year.

The ratio of net revenue to the capital at charge was 4.06% against 3.47% in the previous year.

Taking all Class I Railways together goods earnings in 1936-37 were nearly 5 crores higher than in 1935-36. The increase was in all the main commodities viz., rice, grams, pulses, oil seeds, jutes, cotton, etc., on almost all railways except Bengal Nagpur Railway, where there was a fall in goods earnings of 20 lakhs from manganese and iron ores owing to strike.

There was also an increase of more than $\frac{1}{4}$ crore under miscellaneous earnings.

This increase was partly set off by a decrease of about 12 lakhs in coaching earnings owing chiefly to the strike on the Bengal Nagpur Railway

					In crores.	
					1936-37.	
					Revised estimates.	Latest approx. actuals.
					1935-36.	
Gross traffic receipts	..	..	..	90.65	95.00	95.48
Ordinary operating expenses	..	.		50.87	50.75	50.23
Depreciation	..	..	..	13.25	13.15	13.15
Net traffic receipts	..	..	..	26.53	31.10	32.10
Net miscellaneous receipts	..	..	..	.87*	— .12	— .09
Total net revenue	..	..	..	27.40	30.98	32.01
Interest	..	..	..	31.39	30.83	30.81
Deficit (—) Surplus (+).	..	..	..	—3.99	+ .15	+1.20

* Including 1.10 as miscellaneous receipts on account of credits for released materials.

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(FORM No. 80.)

REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1935-36

Volume II—Evidence

Part II—Railways



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NOTE.

Since the discussions of the Committee are of an informal character the stenographers' record of the evidence is necessarily incomplete and verbal accuracy cannot be guaranteed. The contents of this volume should therefore be regarded merely as illustrative of the proceedings, which are printed in volume I.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

VOLUME II—EVIDENCE.

Part II—Railways.

Wednesday, 21st of July 1937, 2-30 p.m.

Mr. Satyamurti.—Item No. 1—Lump sum cuts. With regard to this matter, there is a remark in the Chief Commissioner's review.

Sir Guthrie Russell.—Normally we cut 10 per cent.; but we discriminate between good and bad railways, with bad railways we cut more and with good ones, we cut less.

Mr. Satyamurti.—A uniform cut of 10 per cent. over all railways is bad. There are some railways which work out their arrears, and they should be encouraged.

May we have a note sometimes in the course of the year about the working of these lump sum cuts with regard to good and bad railways? It would be a most interesting thing, if by this system we can encourage more accurate budgeting.

Chairman.—The budget should be tested by the facts known to that administration at the time when the budget is prepared. If the actuals differ from the budget estimates, that does not necessarily mean bad budgeting.

Mr. Satyamurti.—If, for a series of years, we find that in open line works or in similar things they are out by 2 or 3 crores, then it seems to me that it is very defective budgeting. I can understand, if there are unforeseen things like floods and so on. If, consistently for a number of years, this thing has happened then we have to accept the conclusion that there must be lump sum cuts. Sir James Grigg raised the point last year, and said that these cuts might work in a vicious circle. That is a great deal true. The administrations get round these cuts by over budgeting. I welcome the Chief Commissioner's statement that they are trying to make these cuts on a discriminatory basis, encouraging good railways and discouraging bad ones. I am anxious this Committee should know, how this system works.

Chairman.—Perhaps the Financial Commissioner will prepare a note for the consumption of this Committee, if it does not come under the law of libel.

Mr. Satyamurti.—There is no libel in our criticising the railway administration for our own information.

I should like to know why this Financial Commissioner's Review has been dropped this year. I can give half a dozen references from the Report of the Public Accounts Committee last year asking for this

change and that change and this addition or that addition to the Financial Commissioner's review. I specially refer to paragraph 10 of last year's Report.

Chairman.—Is it your contention that this report of the Chief Commissioner of Railways is not so long as the last year's?

Mr. Satyamurti.—In fact I should have this report as well as the Financial Commissioner's report on all matters not covered by the Chief Commissioner's report.

Chairman.—I think I can probably explain that. The people who have got to defend their expenditure are the spending departments and not the Finance Department. We thought that the procedure in respect of the Railway Department and the Military Department should be brought as far as possible in line with other departments. After all you do not put your question to the Military Financial Adviser, you put your question to the Defence Secretary. Therefore it occurred to me that he ought to hold himself responsible for this report. In the same way as regards railways, most of your questions are addressed to the Railway Board as a Railway Board and the head of that Board is the Chief Commissioner. The Chief Commissioner has all the materials at his disposal. I have no doubt that at any rate 99 per cent. of that report has been compiled by the Financial Commissioner under Chief Commissioner's direction, but I do feel that the Chief Commissioner should take the responsibility for it as the head of the administration.

Mr. Satyamurti.—The Financial Commissioner is there on behalf of the Finance Department. He is not a subordinate of the Railway Chief Commissioner, as I understand the position. Otherwise, there is no meaning in having a Financial Commissioner.

Sir Guthrie Russell.—Constitutionally, the Chief Commissioner, as the head of the Railway Board, can overrule the Financial Commissioner in any manner whatsoever. But the Financial Commissioner not only has the right to go to the Railway Member, but also to the Finance Member. That is the constitutional position.

Mr. Satyamurti.—This Committee is entitled to get all the available assistance from the Financial Commissioner in dealing with these Accounts. After all, we are hard worked laymen, and I am sure you will agree with me that it may be very useful to us to have his view of the accounts of the year, given to us in a compendious form.

Chairman.—We want to know how the spending departments spend the money.

Mr. Satyamurti.—I want to know if the Review by the Chief Commissioner, Railways is the joint production of the Chief Commissioner and of the Financial Commissioner.

Sir Guthrie Russell.—It was all written by Sir Raghavendra Rau and I accepted it as correct.

Chairman.—I do not want to allow Sir Guthrie Russell to say, 'I do not agree with that'. That is why there is one report.

Mr. Das.—So far as this Committee is aware the Financial Commissioner is the Chief Accounts Officer of railways. Therefore his signature is necessary to the documents.

Chairman.—No, there is the Controller of Railway Accounts who is the Chief Accounts Officer for railways.

Mr. Das—In the past the understanding in this Committee was that the Financial Adviser is the Chief Accounts Officer of railways.

Sir Ernest Burdon—I think Mr. Das is mixing up the two terms, the "Chief Accounts Officer" and the "Chief accounting officer". There is a great difference between the two terms. The Chief Accounts Officer is an officer who is concerned with the regulations of the accounts and the compilation of the accounts and the Chief accounting officer is the officer who is required at the end of the year to give an account of his stewardship and to give an account of the expenditure and revenue which he has been entrusted with as Controller. Mr. Das is perfectly right that on previous occasions, it has been implied that the Financial Commissioner of Railways is the chief accounting officer. I was consulted in this matter by the Finance Member and I accepted this change because I thought that that was correct in financial theory and doctrine. In the case of Railway Board the position is different from that of the Defence Department and of civil departments. The Railway Administration is in charge of a body with general responsibility and with a special reservation made in favour of the Financial Commissioner. This report though it is marked as issued by the Chief Commissioner, Railways who is at the head, you have to presume that whatever is in here has the concurrence of the whole Board and in particular the Financial Commissioner as it relates to financial matters.

Mr. Satyamurti—You will notice that some of the interesting paragraphs which found a place in the Financial Commissioner's review of 1934-35 have been omitted from the review of the Chief Commissioner for 1935-36—paragraphs such as those relating to over-capitalisation.

Chairman—I was partly responsible for some of them being cut out and when we deal with the question of general finance, I shall give a full explanation.

Mr. Satyamurti—Item 4. Are these completion reports coming now quicker than before?

Sir Guthrie Russell—On the average there is an improvement.

Mr. Satyamurti—I only want that the contractor's claim should be settled within a reasonable time. I want that the Chief Commissioner should follow this up, and see how it works because it is very important that the contractor should not be delayed his payment.

Prof. Ranga—Item 5. Was it not possible to bring out these codes by this time? If necessary they could engage some additional staff.

Mr. Staig—We have got Mr. K. S. Srinivasan on special duty. In regard to the progress of the work, he has made substantial progress with the General Code, the Engineering Department code, the Mechanical Department code, the Stores Department code and the State railway services rules. Some of the work is yet to be begun—the Accounts Department code, the Traffic Department code and the statistics and forms. He assures me that provided he is not interfered with he hopes to finish the codes already begun by the end of the current year.

Mr. Das.—Before you publish these codes, will you get the Auditor-General's approval ?

Chairman.—I personally would prefer these codes published and the Auditor-General to see them afterwards. The trouble at the moment is that we have no codes at all.

Mr. Satyamurti.—I want to raise the point about the exchange ratio. The audit has accepted the Railway Board's calculation.

Chairman.—I can put the thing in quite lay language. The position is that when we take over certain railways we take over their property and their liabilities. Some of these liabilities consist of shares, debentures raised in England in sterling. Let us think in terms of debentures. That is to say when we take over railway 'A', we take over the liability of a million sterling to be paid to the debenture holders in England. We have not yet paid that million pounds. We shall have to pay it sometime later on. The exchange may be anything when we have actually got to pay it. The argument is that the liability should be shown at the statutory rate of exchange at the time of making up the accounts. If exchange by any chance jumps from 1/6d to 1/8d., we should change it. There are some debentures which we have not got to meet at all. They are indefinite debentures. I think the Auditor-General is satisfied that this is correct accounting.

Sir Ernest Burdon.—Yes.

Mr. Satyamurti.—Are you sure that we will not have to pay more at the time when we have actually to pay ?

Chairman.—We cannot say.

Mr. Satyamurti.—Then how do you agree to this ?

Sir Ernest Burdon.—For the reasons given in my letter. The official stabilised rate of exchange is a fact for the time being and our accounts should be related to the facts for the time being and they are fairly stable facts too.

Mr. Satyamurti.—But these sterling liabilities that you have to meet now at the current rate of exchange have no relation to facts.

Chairman.—If I had a lot of money, I could lay the money down in sterling immediately.

Mr. Satyamurti.—But you are agreeing to the writing off of 8.31 crores, on the possibility that hereafter exchange will not fluctuate, and therefore you can write it down. Especially, in the face of the recommendations of the Wedgwood Committee report and the impending Federal Railway Authority, it would be impossible for the tax-payer to carry this heavy burden. The Auditor-General has given another reason, which if I may respectfully say so, he is not authorised to raise. He says :—

“ But as these sterling liabilities would now have to be met by payments at the current statutory rate of exchange and as for various reasons there is admittedly an element of overcapitalisation in the railway account, I have agreed to the basis of conversion being altered and to the consequent reduction amounting to 8.31 crores in the capital at charge....”

Sir Ernest Burdon.—That is one way of remedying something that is incorrect in the accounts.

Mr. Satyamurti.—You cannot use one error in order to help them to write off 8.31 crores.

Sir Ernest Burdon.—There was nothing of the kind in my mind or in the mind of the Finance Department. We only suggested what we believed to be correct accounting.

Mr. Satyamurti.—Assuming there is over-capitalisation, your job is to correct it in the particular sphere in which you can press on this Committee that there is such over-capitalisation.

Chairman.—I take it that this item is one of over-capitalisation and that he was not prepared to agree to a modification of the other elements of over-capitalisation. He could not get at the others, but this particular one which he had got at, he was prepared to agree.

Prof. Ranga.—Are we to understand that there is now a definite attempt made to discover all the different elements of over-capitalisation and to write them off?

Chairman.—So far as the railways are concerned, they are all scattered about in the accounts from year to year—over-capitalisation and under-capitalisation. This was a matter I had to discuss before the Burma tribunal. There is no getting at the true facts.

Mr. Satyamurti.—But the tax-payer has got to pay interest on the railway debt. This writing off gives a false picture of the accounts. I do not agree that you should write off this huge amount, on the off chance, that the present rate of exchange will continue.

Chairman.—These liabilities represented by 8.31 crores are liabilities entered in the accounts at the various rates of exchange in operation at the time when the liabilities were taken over. Some were at two shillings and some as low as one shilling and two pence.

Mr. Satyamurti.—I say it is wrong from the tax-payer's point of view to write down 8.31 crores on the off-chance that, when we have to meet these liabilities, the exchange will be at a certain rate.

Sir Ernest Burdon.—I was merely applying a cautious method of expression.

Mr. Satyamurti.—But if the exchange alters in some subsequent year you may have to alter the liability.

Chairman.—If there is a change in the official rate of exchange the Auditor-General would insist on being logical. If you see the statement of the debt of the Government of India, expressed in rupees, the whole of the sterling debt is translated at the official rate of 1/6d.

Mr. Satyamurti.—The railways claim to be a commercial department, and they stand or fall by it. In this case, it is a quiet attempt to transfer to the shoulders of the general tax-payer the interest charges on 8.31 crores, which ought really to be borne by the railways; and it is against this, that I protest on behalf of the tax-payer.

Chairman.—In the Auditor-General's opinion it does not really belong to the Railways.

Mr. Das—I agree that the central revenues lose so much by permitting the railways to write off 8.31 crores. The adjustment was not necessary when it was done.

Mr. Stang.—Paragraph 5. The latest development with regard to this question is that this "Convention" which went to the railways in 1932 has been accepted by them all in principle except by the B. B. and C. I. Railway who have objected to it. We have referred the Auditor-General's comments to the Secretary of State, and asked him to take the matter up with the B., B. and C. I.'s Home Board. The Railway Board have done everything possible at this end.

Mr. Satyamurti.—Section 1 of the Chief Commissioner's Review. With regard to the penultimate paragraph, is the fall in interest due to conversion?

Chairman.—We are borrowing from the market at cheaper rates.

Sir Guthrie Russell.—For capital borrowings up to 1917 the rate is fixed. Since then it has varied from year to year and is the average borrowing rate from 1918 onwards.

Chairman.—I have a suggestion to make with regard to section III. The Financial Commissioner, when he writes this General Review starts off with the money that has been granted him by the Assembly and he finishes it with appropriations that have been produced by legal reappropriations and supplementary grants. But he talks about an intermediate process called the revised estimates. The revised estimates are certainly a process through which the executive Government go, but I suggest that we as a Committee of the legislature are not concerned with the revised estimates. We may ask that in future no reference should be made to these figures which have no significance from our point of view.

Mr. Satyamurti.—I agree.

Sir Guthrie Russell.—The revised estimates are placed before the Central Legislature.

Chairman.—But we as a Committee have no legal cognisance of the revised estimates.

Sir Ernest Burdon.—It is not quite easy, but I will certainly look into it. On the other hand you do wish to know what the modified appropriation is.

Chairman.—Page 5. There is an explanation here, but from my point of view I don't accept it.

Sir Guthrie Russell.—Whatever legality or otherwise there may be about revised estimates, revised estimates are the grants for the year.

Chairman.—You certainly cannot reappropriate from one grant to another?

Sir Ernest Burdon.—This matter has been gone into before.

Chairman.—I think the explanation is misconceived.

Mr. Satyamurti.—Page 10. I am not saying here that the actual difference is very much, but still the figures vary. There was no need at all to interfere with the original estimates.

Chairman.—This figure includes both voted and non-voted, and that is the reason why the final appropriation is less than the budget estimate.

Sir Guthrie Russell.—Sometimes it is so.

Chairman.—What would be more useful than showing the final appropriation would be to show the final appropriation less the amount surrendered.

Mr. Satyamurti.—When the budget was 17 lakhs, you actually spent 16 lakhs. I suggest that you recommend the same procedure that you follow on the civil side.

Chairman.—I think the Railway Board might consider whether, in order to meet this point, they could not introduce a procedure showing the final appropriation less surrenders. You will find that as a regular procedure on the civil side.

Sir Ernest Burdon.—It is very largely a question of convenience. We will go into the matter again.

Chairman.—Page 11. Has anybody got any objection to our recommending an excess vote under Maintenance of Carriage and Wagon Stock?

Mr. Satyamurti.—The total expenditure was 22½ lakhs over the budget and about 4 lakhs more than the revised. Why was this so? What is the explanation?

Mr. Stain.—If you will look at the Appropriation Accounts at pages 32-36, you will find the explanations.

Mr. Satyamurti.—These explanations are no explanations at all. Why did you not think of such expenditure early enough? I don't like they should spend money as they like.

Mr. Stain.—The explanation is given in paragraph 17 on page 11 also.

Chairman.—I think there was some mistake. If you look at the M. and S. M. Railway you will see it. We do not keep a depreciation fund for them, and that mistake occurs in four or five places. If you agree that there is a mistake inasmuch as we do not provide a depreciation fund for some of these railways, I think we might record that we would like that point looked into, and if it is a mistake of that nature, it might be rectified. The general principle which we have laid down is that accounting during a year must follow the budget provision, and that changes of that sort must take place only from the beginning of a year. Throughout this Report we find that that principle is not adhered to, and we would ask the authorities to remind their accounting officers that that principle is one which we lay store by.

Mr. Satyamurti.—Page 12. Here you say "the net saving on the original grant of 11 lakhs was largely on the N. W. R. on account of non-utilisation of the provision for the mechanisation of Stores Depot Ledgers, job analysis and postponement of the preparation of price-lists....". Did they write to the Railway Board, and did they sanction the dropping of mechanisation?

Mr. B. N. Mitra—The mechanisation of stores accounting had been decided upon. They tried it for some time, and they found certain difficulties, and so they wanted to revert to the old system.

Mr. Satyamurti—This postponement comes up again and again. Then comes the question of preparation of price-lists,—what are these price-lists?

Sir Guthrie Russell—These are price-lists of stores. The Accounts Department keeps one set and the Stores Department keeps another.

Chairman—The point is whether you could or could not have foreseen the saving in the beginning?

Sir Guthrie Russell—You have got the Pope Committee going. They are producing results all the time.

Mr. Das—In paragraph 23 you say “The contribution during the year was made at 1/60th of the Capital at charge to end of the previous year”. Later on you say “The procedure has been altered since, and from 1935-37 the contribution shown under this head will be 1/60th of the total capital at charge”. So you are charging 1/60th twice?

Mr. Sankara Iyer—We were showing it as 1/60th as before.

Mr. Satyamurti—Under C—Refunds of Revenue, can we have some details?

Sir Guthrie Russell—There is a rebate on certain traffic passing through India to Afghanistan. We may change rates in the course of the year; this will affect the amount of the rebate.

Chairman—So this Grant C will drop out in future?

Sir Guthrie Russell—Yes.

Professor Ranga—How does this explanation tally with the increase in refunds?

Sir Guthrie Russell—The more gross earnings there are the more refunds there will be.

Chairman—D. Miscellaneous Expenditure. The Railway Board vote is an excess vote, and the explanation is given at page 16. I take it that we recommend that that excess grant should be made to the Railway Board.

Mr. Satyamurti—Interest charges. The average rate for 1934-35 was 5.20 per cent., the rates assumed in the budget and revised estimates were 5.08 per cent. and 5.04 per cent. respectively; the actual rate charged in 1935-36 was 5.05 per cent. How do you calculate these variations?

Chairman—It is a complicated process. What we do is this. The expenditure incurred up to the 31st March 1917 is at a definite rate, which is roughly 3½ per cent. For expenditure since that date we take our average borrowing rate, which is a cumulative rate.

Mr. Satyamurti—I want to raise the question of the adequacy of the depreciation fund.

Sir Guthrie Russell—If you take the expenditure on railways since the depreciation fund was instituted, I think I can say that it is adequate.

Mr Satyamurli—Are you spending up to the mark ? Is there any testimony, independent of the Railway Board, certifying to this effect ? What I want to know is whether the Railway Board has any means of satisfying itself with regard to its own State-managed Railways and the Company Railways on this point ?

Sir Guthrie Russell—The Government Inspectors, who presumably under the new constitution will be outside the administration of the Railway Board, are entirely independent. The recommendations they make, if they are marked with asterisks must be carried out, as they concern safety.

Chairman.—If the Government Inspector reports that a particular work must be carried out, it must be carried out. The Government Inspector at Home is not under the Railway authorities at all. He is under the Board of Trade and under the new constitution the Government Inspector will not be under the Railway Board.

Sir Guthrie Russell—No Government Inspector has ever said that the railways were not safe.

Prof Ranga.—At every turning, most of the passengers get such a terrible jerk that they are shaking in their shoes. The other day there was a serious accident when a man fell down and was killed.

Sir Guthrie Russell.—The Chief Engineer is actually responsible for the safety of the railway. If the Government Inspector disagrees with the Chief Engineer, he can say he disagrees.

Chairman—Has there been any occasion when a Government Inspector has disagreed with the Chief Engineer ?

Prof Ranga.—It seems to have become an automatic thing.

Sir Guthrie Russell—No, it is not an automatic thing. There is a regular programme of inspection. The main lines are inspected every year and certain branch lines are inspected every two years.

Mr Satyamurli.—Certain items are not maintained quite up to the usual standard. I am only at the moment concerned with the safety side of it.

Chairman—There is a very good agency for that purpose.

Prof Ranga.—On page 23, under Grant 6-C, Revenue-Working Expenses, it is said :—“ This excess is chiefly due to heavier repairs on the East Indian Railway and the North-Western Railway and to provision for renewals and replacements expenditure of worked lines for which depreciation fund is not maintained ”, etc. Does it mean that there were heavier repairs ? I should have thought that they always make provision for repairs.

Chairman.—I take it that there is no fixed programme.

Sir Guthrie Russell.—In the midst of the financial year, there is sometimes a sudden rush of traffic and we have to make sudden repairs of carriage and wagon stock in order to cope with the traffic.

Chairman.—I take it that on the East Indian Railway, in 1935-36 there was more traffic than was anticipated.

Sir Guthrie Russell.—That is so.

Chairman.—On page 24 I wanted to ask whether these errors which have been brought to light have been going on from year to year without being detected. Every year something is discovered and I wonder whether these things have been going on for years and have been discovered only now.

Sir Guthrie Russell.—What really happens is that at the beginning of the year you anticipate a certain amount of traffic. If you get five crores more traffic than you anticipated, then naturally your calculations are upset.

Mr. Satyamurti.—On top of page 24, may we have some elucidation on this excess, due to the provision of non-voted officers?

Sir Guthrie Russell.—You may have a voted officer on a particular piece of work. He is transferred and a non-voted officer comes in. That is how it happens.

Mr. Satyamurti.—In paragraph 45, a series of mistakes has been brought to light, and I should like to have some general explanation on each one of those items, either to-day or to-morrow.

Mr. Staig.—Some of them may have been genuine mistakes, and can only be explained as such.

Mr. Satyamurti.—I only want to see that such mistakes do not occur in future. We want to get to the bottom of these things, so that we may devise some suitable methods for the future.

Chairman.—It might be wise in next year's report, besides giving some account of the transaction, if the Board could attempt to explain how these things happen. We want to know whether it is a systematic thing and whether somebody is particularly to blame.

Mr. Satyamurti.—Under Grant No. 6-A you say 'on the Great Indian Peninsula Railway, charges for dismantling certain non-unit assets were provided in the budget under ordinary repairs and maintenance, instead of under renewals and replacements not debitable to the depreciation fund'. This would not happen if you follow your rules carefully.

Mr. Staig.—A thing like this is unlikely to happen again, in view of subsequent changes in the rules of allocation.

Mr. Satyamurti.—No 2 will come under our general recommendation.

Chairman.—We should like to know why there are bits of railway assets for which no depreciation fund is maintained. If we could have some explanation on that point, it would save us asking so many questions. If an explanation is given in the next year's report, that would serve our purpose.

Sir Guthrie Russell.—There is no question of defalcations or anything like that. You are bound to get a few items of this kind when you have thousands of transactions.

Mr. Satyamurti.—On page 28, paragraph 50, I want to know whether these figures have any relation to facts.

Chairman.—If you are asking whether they represent the assets that exist now, then you are going into the history of the railways

Mr Satyamurti—I only want to know the present valuation of the assets, and how it works out

Chairman. What is the amount of your abandoned assets ?

Sir Guthrie Russell—We have no power to insist on Company-managed Railways writing off abandoned assets. Though on occasions they do. For instance, the R. B. and C. I. and M. and S. M. Railways agreed to write off the cost of the Regala Colliery. They suggested that this should be done in twenty years and we have suggested ten.

Chairman—You suggest that the Railway Board should have a legal adviser.

Sir Guthrie Russell—We employ the Solicitor to the Government of India. The Railways also employ Solicitors. We have also got access now to the Federal Advocate-General.

Prof. Ranga.—Supposing there are some branch lines which are not in use at present and supposing you decide to write off that capital, does that mean that the capital you have got there and which is not in use can be brought into use later on when there is more traffic ?

Sir Guthrie Russell.—If you abandon a line you take up everything and the released materials go into the stores.

Chairman—They would return the money to me, but they do not do any writing off of capital at the moment. The writing off of capital would mean that they would actually give me cash and reduce their debt accordingly. You should remember that we always write off a thing against revenue and not against capital.

Mr. Satyamurti.—Page 29. I take it there is no accounting possible here because you will ultimately recover it all right. I should like to know however why was it proposed to recover this amount and why it was decided to charge it to revenues ?

Sir Guthrie Russell—About Aden, we will give you the full details later on

Sir Mohammad Yakub—We would like to know whether any objection was raised by the Imperial Government.

Mr. Satyamurti.—Paragraph 52. Can we get any information on that ?

Sir Mohammad Yakub.—I should like to know why these stocks were purchased ? Was there any scheme and if so why was it postponed ?

Chairman.—Mr. Staig will look into these cases and he will give us the facts to-morrow.

Chairman.—Defects in budgeting. There is no explanation given. We might ask the Railway Board to give us some more information in the future. If a thing is worth mentioning at all it must be worth mentioning how it happened. I would rather have one or two cases thrashed out properly than a mere list, especially when a question of principle is involved.

Prof. Ranga.—Item 11. It is a bad mistake.

Chairman.—Is that the fault of the G. I. P. Railway itself or is it the fault of the Railway Board ?

Mr. Staig.—The excess in this case is explained as due to heavier retirements than anticipated in framing the budget.

Mr. Satyamurti.—It might have been due to the anxiety to budget for one item and get something else.

Sir Guthrie Russell.—I can assure you we do not do that.

Prof. Ranga.—Item 13, page 34. By whom these educational grants were not appreciated and what action was taken by the Railway Board ?

Mr. Staig.—The Railway Administration.

Chairman.—Item 16. Was it not too late to send this information ?

Mr. S. Iyer.—Probably they sent a wire. They did not send up the intimation in time.

Mr. Satyamurti.—Item 20. I suggest that in these cases we should pass a censure motion and ask them to be more careful. There is no explanation given.

Chairman.—I agree that we are rather left in the dark with only just the bare facts. Have you got in operation on the railway side the practice of surrender ?

Mr. Staig.—Surrenders were not made.

Chairman.—When you get the information that it was due to inadvertence, do you tell them not to be inadvertent again ?

Mr. Staig.—Yes, and we also inform them of any comments made by this Committee.

Mr. Satyamurti.—You should dismiss the man.

Chairman.—In such cases we would prefer that you did take action on your own initiative and we would like you to give us a general assurance that the Committee need not go into these matters. It would help us if you just indicated what you did in the more important of these cases.

Mr. Satyamurti.—Item 22. I should like to pursue this point.

Chairman.—In the case of the N. W. R. I should have thought that the Railway Board would have spotted it.

Sir Mohammad Yakub.—The Railway Board is accustomed to waste such large sums that the sum of 11 lakhs does not count with them.

Chairman.—We have not got enough details to know how the 11 lakhs were accounted for.

Mr. Satyamurti.—May I know the exact head under which this sum is provided ?

Chairman.—It is one of these suspense heads.

Mr. Satyamurti.—I should like the facts of this case to be put before us.

Chairman.—I suspect that there is not much explanation if it is a suspense head. These suspense heads are a trouble from year to year. It did not put 11 lakhs more at their disposal. That is probably why the

Railway Board did not pay very much attention to it. It is a book account. Some of these things are put in the account merely as a sort of progress report

Sir Guthrie Russell.—That is what happens.

Chairman.—Will you give us more particulars about this item to-morrow and also with regard to item 23 ?

Mr. Satyamurti.—There are three or four railways in which the working expenses are going up.

Sir Guthrie Russell.—To appreciate that you must find out what the earnings of those railways and working expenses were. They are to be found on page 37.

Chairman.—I think we might make a remark in regard to Appendix C as explained in Appendix D that the increase of operating ratio in the case of the Eastern Bengal Railway is unfortunately due not to a fall of traffic but to an increase in working expenses.

Prof. Ranga.—Will it be relevant if I draw your attention to the depreciation fund in Annexure D ? Take, for instance, M and S. M. Railway. For three years continuously they have been making the same provision for the depreciation fund

Chairman.—They had no increase in capital. It is automatic. There are no sins or otherwise.

Sir Guthrie Russell.—The depreciation fund is ours ; it has been put aside by us. All that they charge to revenue is the actual costs of renewals each year.

Chairman.—The actual amount which may be charged to revenue depends upon the contract under which the line is being worked. We charge the whole depreciation fund on State-run lines to revenue but we cannot do that in the case of the Company-managed lines

Sir Guthrie Russell.—Take the case of M. and S. M. Railway. Supposing their correct contribution is 90 lakhs of rupees and supposing they spend 50 lakhs of rupees on renewals, there will be a balance of 40 lakhs this amount will be credited to the Depreciation Fund from State Railway Revenues.

Chairman.—So far as that is concerned, we are making up the depreciation fund for our own purposes and not for the purposes of the Company.

Prof. Ranga.—We are handing over our assets to these people ?

Chairman.—But they do not get it.

Sir Guthrie Russell.—They have got to hand over the railway in a good condition. If we find anything missing, we can debit that on the last year's account. Actually, when the G. I. P and E. I. Railways were taken over, special officers were sent to check the stores and equipment.

Thursday, 22nd July 1937, 10-45 a.m.

Mr. Satyamurti.—Mr. Chairman, I should like the present practice of printing the evidence to be continued. In England it is done and we take all our procedure from the parliamentary practice. We can hardly go elsewhere for a better example.

Sir Mohammad Yakub.—I think it is for the Government to start their case as to why they discontinued the long established practice of publishing the evidence.

Mr. Satyamurti.—I am obliged to my friend, Sir Mohammad Yakub, for raising this point. It is for the Government to make out their case for the discontinuance of the present practice.

Chairman.—Speaking quite generally, I can say that there is a very big danger of Governments in India becoming paper Governments. If we go down to any of our record rooms, we are struck by the remarkable accumulation of paper. It seems to me to be a principle of the working of Governments in India to retain every piece of paper which has been written or typed or printed on. It will never be possible to destroy these papers and the record rooms are a positive disgrace. I believe that this is one reason why there is so much delay in the disposal of Government business. When a case goes down to the level of the clerks in order to get the requisite papers, they spend five times the amount of time that is necessary to dispose of the case in hunting up past papers which might have influenced the particular subject at any stage, and after getting those papers, you find that four-fifths of them are of no use at all. What I regard as really the important document is the proceedings which the Secretary to the Committee writes up each day. I believe it has been the practice not to circulate these daily proceedings to the Committee. I have been engaged even this morning in going through the proceedings written up by Mr. Shearer of yesterday's work here and it is a comparatively detailed account of things. It seems to me that that is the really important document. That contains our decisions. That is a document which I would like the departmental officers to look into.

Sir Abdul Hamid.—Does this document give a resume of the evidence taken?

Chairman.—It does not go into the evidence in the same detailed way as we do in conversation. It does occur to me that if there is at the back of your minds a tendency to think in terms of your constituency, to prove to your constituency that you have been doing your duties most conscientiously, it might be possible to make a change in the form of our daily proceedings. Our daily proceedings at the moment are written up anonymously. We do not mention names. I would be prepared to consider if it was thought a sufficient substitute to introduce certain names in the day's summary of the proceedings so that anybody reading it would be able to see the amount of work which each member has done in the Committee. This suggestion is made on the supposition of the necessity for you to prove to your constituency that you are taking your duty seriously. I should very seriously deprecate departmental officers reading our evidence. We ask questions, mostly critical questions, attempting to get at the real facts. I do not want departmental officers to go in the same direction as our

mind, go. I want the departmental officer to consider what are our stated conclusions, after we have got answers to all these questions. I remember on one or two occasions certain audit officers have asked for this evidence and on perusing the evidence they have come to what in my judgment, at any rate, was a completely wrong twist of the intentions of the Public Accounts Committee, as expressed in their final deliberations, merely because during the course of our coming to that conclusion, our minds were wandering about. I do not know whether it was for this reason or not that the Auditor-General refused to allow this evidence to be given to his audit officers. We do not print up the evidence given before the Standing Finance Committee and in many respects it seems to me that it would be more appropriate to print the evidence of the Standing Finance Committee than that of the Public Accounts Committee. Then again there is the question of expense, not very great expense perhaps, of printing up this evidence. But think of the time taken to edit this evidence and read the proofs and finally get them printed up. I know Sir James Grigg used to spend literally hours over it. I suggest that all these points ought to be taken into consideration. My own view is that inasmuch as we do have this procedure of making a daily summary of our proceedings, which by the way is not done in England, we should drop printing the evidence. It is because we have that substitute that Sir James Grigg thought it wise to drop the other, so that we may try and improve the administration in our own way by not encouraging this terrible riot of paper.

Mr. Satyamurti.—I am obliged to my friend, Sir Mohammad Yakub for clinching the issue. The burden of proving the advantage of discontinuing the publication of evidence is on the Government. I regret that, after hearing what the Chairman has said, I am not convinced that he has made out a case for the discontinuance of the publication of the evidence. As regards the suggestion of incorporating our names in the daily proceedings, we do not want that. We do so much work outside the legislature that we do not want this additional advertisement, so that it is not a case of our trying to prove to our constituencies what we are doing in the committee, because for one thing our constituencies do not read these documents.

As regards the question of expense, you print numerous papers, and surely it is not going to add enormously to the cost of printing by printing these 350 copies of evidence. You distribute about 200 to Members of the Assembly and about 70 or 80 to Departments and the remainder will be about 80 or 90. As regards departmental officers getting a wrong twist, I do not know. I do think that, if the evidence is carefully edited in your office and then printed, it will be of immense value. The real point why I insist on the publication of the evidence is this. We are after all a committee of the Legislative Assembly. It is the Assembly that has to go into the evidence, and come to a correct decision and find out whether the Public Accounts Committee has come to the right conclusion on the basis of the evidence. As for the Standing Finance Committee, I do not know what is going to happen to that Committee. It is in a state of suspended animation. Sir James Grigg threatens to wipe the Committee out of existence. As for the expense, I cannot understand this. You spend hundreds of crores and the cost of about 350 copies at about Rs 1-12-0 each is not going materially to add to your expenditure. Sir James Grigg told me definitely that the evidence will as usual be recorded and typed copies kept for reference if necessary, his only objection was to printing

up the evidence. It seems to me that under all the circumstances, it would be a dangerous departure from the accepted practice to go and stop the publication of the evidence. As for the daily summaries prepared by the Secretary to the Committee, I do not minimise its importance, but the most valuable part of the evidence is the way in which the departmental witnesses reacted to our questions and the Chairman, whether it be Mr. Nixon or Sir James Gigg, sometimes throws out very valuable hints and they may not be able to collect all of them together at any given time. I, therefore, suggest that we should continue the present practice of publishing the evidence.

Mr. B. Das—As one who has been a member of this Committee for the past eleven years I would like to say that the present practice of publishing the evidence should continue. As regards the daily summary of the proceedings prepared by the Secretary to the Committee, they only summarise the important events where we have reached tentative conclusions, but not such important conclusions as are to be embodied in the report. From my own experience I can say we have taken five years to build up a particular point and after these five years of examination and cross-examination, the departments and we on this side of the Committee have come to see eye to eye and we have reached a unanimous conclusion on certain points. If the evidence of past years was not available, we would not have achieved this tightening of financial control that we did. For that reason alone this evidence should be published. The Secretary cannot bring out every individual point that we make out in this Committee. Some of the points which we might raise from year to year might eventually come to fruition and we will compel the departments to accept our view point. It has happened in the past, and if you Mr. Chairman take back your memory to years past when you were Director of Railway Audit, you might remember how valuable suggestions you made to this Committee and all those points would have been lost to the Committee had not the evidence of those years been published. Of course to-day as Chairman of the Committee, your view will be quite opposite to what it was before. I do not want to face the Chairman with what he said as the Director of the Railway Audit. I respect the convention of the Committee. After all this is a statutory Committee. There will be a good many changes in the next one or two years. There may be a non-official chairman for this Committee. To-day the official chairman controls everything, to-morrow the officials will be anxious to see how one of us as the Chairman is controlling the deliberations of this Committee, and probably these very officials will be anxious to read the evidence, more anxious than we ourselves will be. If we drop the publication of the evidence, our memory is not so sharp as to remember what we discussed even yesterday, not to speak of what we discussed five years ago.

Sir Mohammad Yakub—May I supplement what has been said by my friends, Mr. Satyamurti and Mr. Das? The Finance Member gave us to understand that the functions and constitution of the Committee will soon be revised or altered or changed. Moreover, I think the Federation is coming within a year or so. I think all these committees and sub-committees will be in the melting pot and we will frame new set of rules for their procedure. I do not think that for such a short time as one year—we understand that Federation will be coming in 1939—we should change the present practice. There will be only one more sitting of the Public

Accounts Committee next year. It would not therefore be right to discontinue the established practice of so many years only for the sake of one meeting of the Committee. When the Federation comes, we can start on a clean slate. For the present, I am in favour of continuing the present practice.

Prof. Ranga—I have got only one point. As regards the point that the records become bulky and that there is too much work for the clerks, this particular difficulty must have been experienced even in England and yet they found it necessary to publish the evidence. The Chairman said that in England they do not publish this daily summary that we are having here. We do not mind if we do not have the daily summary. What we want is the publication of the evidence.

Mr. Satyamurti—I want both.

Prof. Ranga—It is not that we are anxious to please our constituency. There is our responsibility to the Legislature. Without meaning any disrespect, I must say that individual members of the Legislature have not got the time to go through all the mass of material that is placed before the Public Accounts Committee. We try our best to sift the material that is placed before us and discuss the whole thing and present the various points of view for the convenience of the Legislature and once this evidence is placed before the Legislative Assembly, the Members will be able to form their own judgment. So I want the continuance of the present practice of publishing the evidence.

Capt. Sir Sher Muhammad Khan—I agree with Mr. Satyamurti that the summary should be published. Every word of the evidence taken down need not be published in the Press. Whatever the Finance Department decides should alone be published in the papers.

Chairman—The daily summary prepared by the Secretary is a very valuable document and nobody wants this to be dropped out. What we suggest is that the verbatim record of the evidence need not be published.

Dr. Dalal—I should be satisfied with a detailed resume of the day-to-day proceedings prepared by the Secretary. If this was printed up, it will serve our purpose.

Chairman—The first argument used is that this practice has been going on for the past fifteen years and why change it. I do suggest that if useful changes can be made in practice we should adopt them as soon as possible. As regards what Sir Muhammad Yakub said regarding the Federation, I can guarantee that the Public Accounts Committee will go on very much in the same form as it has always gone on. I do not conceive that if Federation comes along, there will be considerable changes in the functions of this Committee. I would also point out the difference between the English practice and our practice. Here we compile this comparatively detailed summary. I should like it to be distributed to this Committee later on. I would like you to think over and say whether that is not a sounder record of the work of this Committee than a mere verbatim record of the evidence taken. I believe this will serve the purpose of the Legislature.

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Sri Abdul Hamid—I agree with my friend Sri Muhammad Yakub that for the sake of one year, we should not change the present practice. After all Federation will come within the next year or year and a half. I think the present practice of publishing the evidence can be continued.

Mr. Staig—With regard to the Codes not yet begun. I have made inquiries and Mr. Simiya estimates that if he goes on with all of them simultaneously he will finish them all in twelve months from the date of commencement.

Mr. Satyamurti wanted to have some information with regard to items 22 and 23 in Annexure B. With regard to the mistake of 11 lakhs in item 22, the Board have no detailed information as they get only a consolidated statement but there was clearly an omission in working out the receipts and issues of stores. The credit of 11 lakhs was taken, but the corresponding debit was omitted.

Mr. Satyamurti—Will you get the information hereafter?

Mr. Staig—Not unless we call specially for it.

Chairman—We should record something to the effect that, a wrong provision of as much as 11 lakhs is not the sort of thing that we can pass over.

Mr. Satyamurti—I agree.

Mr. Staig—Item 23. This too is a mistake in the budgeting for suspense. The N. W. R. inadvertently omitted to account in the manufacture Suspense Account for a debit of Rs. 8 lakhs for fifteen locomotives for which they had taken credit. The possibility of error would be diminished by charging component parts of the locomotive straight off to capital, and the propriety of this procedure will be examined.

Chairman—An admonition might be addressed to all railways asking them to be more careful so that all these things may not be included in these rather obscure suspense accounts.

Mr. Satyamurti—Does the Railway Board come into this at all?

Mr. Staig—No.

Mr. Staig—Item 24. This is a very similar thing.

Mr. Satyamurti—We should impress on the railways to be more careful.

Mr. Staig—We have already addressed a circular letter to them. As regards Aden, I have not been able to get the papers, yet.

Mr. Satyamurti—Item 7 of the statement. I see the railway administrations are accepting recommendations 1 and 3, and as regards 2 they have put up what I think is a weak case and the Railway Board have agreed to the existing practice being continued. I do not see why the railways should not accept that also. Auctioned material should not be allowed to be removed until the full amount has been received from the auctioneers.

Sir Guthrie Russell—Normally the difficulty is about the vast accumulation of scrap and the necessity to get this removed from the depots as early as possible.

Mr. Satyamurti—As regards the future, there should be no difficulty.

Sir Guthrie Russell—There is always difficulty. The quicker you can get it away the better you can utilise the ground.

Mr. Satyamurti—All railways except the E. B., E. I. and B. N. Railways have accepted it.

Sir Guthrie Russell—There are probably bigger accumulations of scrap material at Calcutta than at other places.

Mr. Satyamurti—This question came up to us, because of large losses caused to railways.

Sir Guthrie Russell—There was only one big case and that was at Lucknow where the firm of auctioneers failed. On the B. N. Railway, they take a deposit of 1 lakh and 5 thousand, which is more than the amount involved. The amount is usually about Rs. 75,000.

Chairman—I think that is quite satisfactory with regard to that railway.

Mr. Satyamurti—As regards the other two Railways, we should suggest to the Railway Board that they should accept the second recommendation also.

Sir Guthrie Russell—As regards those, we expected to have an insurance scheme, this fell through and the whole question is now under examination.

Chairman—As the Railway Board has come to no final conclusion and are still pursuing this question, I think it will be sufficient to ask them to let us know what the conclusion is.

Prof. Ranga—I take strong objection to the complacency of the Railway Board with regard to the refusal of the auctioneers to revise their agreements or increase their security deposits, and so on. They must be prepared to give them to understand that when the next time comes for revising these agreements or calling for tenders these people are going to be put on the black list.

Chairman—Are we in the hands of any particular firm of auctioneers?

Sir Guthrie Russell—Normally the railways employ the same firm for very many years.

Chairman—If you cannot get satisfactory arrangements with that particular firm, can you change that firm for another?

Sir Guthrie Russell—Yes, certainly.

Mr. Satyamurti—Item 8. They have given us a statement with regard to the salaries and cost of materials, interest, etc. But what we wanted to know was whether the post-war expenditure was going down or going up, and whether there were any items, where there were possibilities of retrenchment.

Chairman—You will find that per man the pay of the gazetted staff has gone up 75 per cent, the pay of what is called the upper subordinate staff per man has gone up 110 per cent, and the pay of the inferior staff, i.e., labourers, has gone up 180 per cent.

Mr. Satyamurti—These are misleading, because the basic pay of the gazetted staff is more.

Chairman—The general suggestion then was that the upper staff had been treated more generously in comparison with their former conditions than the lower staff.

Prof. Ranga—You take their numbers also. There is a regular increase in the number of these gazetted officers on all the railways.

Chairman—Because the size of the railways has gone up and there is an increase in the running mileage.

Prof. Ranga—If you needed more gazetted staff you should have needed more lower subordinates also to the same extent.

Sir Guthrie Russell—The gazetted staff has gone up since 1913-14, but there has been an enormous increase in the traffic carried; and many of our activities have increased, like the workshop at Tutuagar for instance. If you take 1923-24 you find from the figures, that the cost has gone down.

Prof. Ranga—But the numbers have gone up and the cost has gone up also, while the lower staff has not gone up to the same extent.

Chairman—The labourers depend on the capital programme whereas the gazetted staff depend mainly on the running.

Prof. Ranga—I am inclined to think that there are too many officers at the top.

Mr. Satyamurti—In all these railways, you find a uniform increase in the number of officers, as well as in expenditure.

Chairman—The railways themselves have been increasing.

Mr. Satyamurti—But their earnings are going down. As a commercial concern, they must apply the pruning knife ruthlessly.

Chairman—This statement does not give quite a fair picture because the figures for 1929-30 would have been much bigger than those for 1925-26.

Prof. Ranga—Since 1929 their capital expenditure per year has been going down and it is practically nothing now. Therefore there is no justification for this enormous increase in the gazetted staff on all Railways, and your traffic receipts have gone down.

Sir Guthrie Russell—And there has been retrenchments also. The number of gazetted posts held in abeyance or abolished was I believe about 128 out of about 2,000. The Wedgwood Report does not consider we have two many; in fact the opposite.

Mr. Satyamurti—That report is worthless; they support you in everything that you do.

Prof. Ranga—I find from this book that your total mileages has also gone down between 1929 and 1937.

Sir Guthrie Russell—On the contrary the mileage has increased by 5,800.

Mr. Satyamurti.—If you look at page 2 of the introductory note, you will see that the scales of pay were revised on account of the higher cost of living, and the Lee Commission also recommended overseas pay, and again the scales were revised in 1933. My position is that, even to-day, the scales of pay of higher officers are excessive, considering the present financial position of the railways.

Sir Guthrie Russell.—You may be surprised to hear that the pay of the really higher paid officers has not been changed during the last 25 years. Those who have benefited are those in what we call the junior and senior scales. The same thing has happened in Great Britain and other countries.

Prof. Ranga.—It may be that the pay there was much lower before the war?

Sir Guthrie Russell.—It was not so.

Mr. Satyamurti.—I think there is a case for examination as to how far we can reduce both in numbers and salaries of these higher-paid officers. I should like the Committee to consider this.

Chairman.—I suggest we leave it over till the afternoon when we will come to deal with railways in a general fashion.

Mr. Satyamurti.—If the Wedgwood Report is going to be treated as a kind of Bible, I want the question to be decided now and I suggest that the Railway Board be requested to examine the feasibility and the desirability of retrenching the higher-paid officers, both in numbers and scales of pay.

Chairman.—I don't think it is one of the functions of this Committee. This Committee is to examine the accounts of the year 1935-36 to see if they conform to parliamentary requirements.

Mr. Satyamurti.—It has also been held here consistently while dealing with accounts, the Committee is entitled to offer criticisms and recommendations on any matter discussed therein, or in the Auditor-General's comments thereon, whether such matter concerns the accounts of expenditure, voted or non-voted, or of those receipts.

Chairman.—Our duty principally is to see whether the accounts for the year 1935-36 are in accordance with the intentions of the Legislature. I think it is a subject which has been discussed by the Wedgwood Committee, so that it will be legitimate to take it up when we come to discuss that Report in the afternoon.

Mr. Satyamurti.—Intensive use of locomotives. You say here that "as a result of improved locomotive utilisation, the Board expect to be able to handle equivalent traffic with 612 less locomotives", that is to say you approximately save 3 crores. May I know if that is the last word on it?

Sir Guthrie Russell.—That is not the last word. Though to get further improvement does mean increasing your repair facilities, and certain Railways have under construction or consideration schemes with this object in view.

Mr. Satyamurti.—I take it that increase of your workshop establishment will more than swallow the savings made in locomotives.

Sir Guthrie Russell—Yes. Certain railways keep spare boilers. Locomotives come in and spare boilers are put on straightaway, and the old boiler is removed repaired and used as a spare boiler for another locomotive. In this year's programme you will see we are buying a number of extra boilers.

Mr. Satyamurti—I take it your workshops have become more inefficient?

Sir Guthrie Russell—The reason for the inefficiency of the sheds is they are out of date. They want a certain amount of new machinery, and have schemes in hand.

Mr. Satyamurti—Will the Railway Board ever consider the advisability of so equipping their workshops, as to undertake the manufacture of locomotives in this country?

Sir Guthrie Russell—The B., B. and C. I. Railway Workshops at Ajmer have a capacity of about 13 to 14 metre gauge locomotives per annum. If locomotive manufacturing shops are to be a success it is essential to ensure that they have a steady flow of orders. I do not think it would be possible to run a shop economically if the orders were less than 100 locomotives per annum. Our orders for broad gauge locomotives next year are 26.

Mr. Satyamurti—Have you considered the possibility of finding markets for locomotives in Ceylon or Burma?

Sir Guthrie Russell—None of these countries have the same gauge as we have.

Mr. Satyamurti—A workshop can be so equipped as to manufacture locomotives to suit all gauges. Is that not so?

Sir Guthrie Russell—It can be, but we might get into competition with private firms, and I don't think it is the duty of the State to enter into public competition with manufacturing firms in other countries.

Mr. Satyamurti—I should like this matter to be explored further, because your workshops are bound to increase in efficiency, and I don't see why you should not make locomotives here.

Sir Guthrie Russell—The question of making locomotives was gone into very thoroughly by the Standing Finance Committee, and the proposal was dropped as being somewhat impracticable. It does not mean that ten years hence it will be impracticable.

Sir Mohammad Yakub—How many locomotives are used in India in the whole year?

Sir Guthrie Russell—The actual number of locomotives in India at present is 6,988.

Sir Mohammad Yakub—How many do you require every year?

Sir Guthrie Russell—That depends on traffic.

Prof. Ranga—How soon do you think you will require more?

Sir Guthrie Russell—We should not need a very large number more for the next six years.

Mr. Satyamurti.—But, taking the fact that you will have repair shops on an increased scale, do you still think the manufacture of locomotives would be a losing proposition ?

Sir Guthrie Russell.—Yes, looking to the number that we need at present, it would prove a losing proposition.

Mr. Satyamurti.—Can we have a copy of the note supplied to the Standing Finance Committee on the manufacture of locomotives in India ?

Sir Guthrie Russell.—Yes.

Mr. Satyamurti.—Paragraph 5 Intensive use of machinery and plant.

When may we expect this to be finished, I mean concentrating manufacture at one or more convenient centres ?

Sir Guthrie Russell.—That is under consideration.

Mr. B. Das.—I find when a company-managed railway is acquired by the State the Government proposes to spend large sums of money for repairs and renewals and purchase of new workshops.

Sir Guthrie Russell.—Can you give me any proof of that statement ? We did not increase our expenditure when we acquired the G. I. P. Ry. We are watching the B. N. R. very carefully, and we have just sent down the Director of Civil Engineering to inspect certain portion of that line.

Mr. B. Das.—The impression left on my mind after serving in the Public Accounts Committee for the last so many year is that the company-managed railways are in a more depressed state in replenishing their stocks and keeping their lines in a fit condition than other railways.

Sir Guthrie Russell.—I am afraid, I do not agree that there is justification for that opinion.

Mr. Satyamurti.—Paragraph 8. What do you propose to do to meet this ticketless travel ?

Sir Guthrie Russell.—In my opinion the only final solution is the vestibuling of all our stock, but this would cost a very large sum of money.

Mr. Satyamurti.—Short of this Bill, are the Railway Board contemplating any other steps administratively ?

Sir Guthrie Russell.—We are increasing our ticket-collecting staff. As I have already said, the vestibuling of all our coaching stock would be prohibitive as would also be the enclosing of all our stations with unclimbable fencing.

Mr. Satyamurti.—Page 10. Organization. May I know why the State Railways and the Company-managed Railways have no commercial departments ?

Sir Guthrie Russell.—I think this has been badly worded. All the State Railways except the E. B. R. which is a small railway have commercial departments and the B. N. R., S. I. R. and M. and S. M. have commercial departments.

Prof. Ranga—When you organized these departments did you find it necessary to have a separate staff, or additional heads for the commercial department ?

Sir Guthrie Russell—Take the M and S. M. Railway, I think they created one Head of Department, about three District Officers and a considerable number of Inspectors. A certain number of reductions may have been made, but these are new appointments.

Prof. Ranga—What about your experience on the State Railways ? When you established the commercial department did you try to retrench in any other directions ?

Sir Guthrie Russell.—We are always endeavouring to retrench.

Prof. Ranga.—Was there any increase in staff ?

Sir Guthrie Russell.—Yes.

Prof. Ranga.—Did you find it necessary to import any officers for it ?

Sir Guthrie Russell.—No particular officer was imported.

Mr. Satyamurti.—With regard to salesmanship, what are you doing ?

Sir Guthrie Russell.—The N. W. R. have a special organization. There are two officers, one junior and one senior ; they and their staff go out into the country and try to induce traffic, they find out if there is any possibility of more traffic being roped in.

Mr. Satyamurti.—Was the extra staff for that purpose ?

Sir Guthrie Russell.—Yes, mainly in the subordinate grades. Actually they have inspectors on Rs. 140 and Rs. 150 a month. There is I believe one senior scale officer and one lower gazetted officer. They were actually officers on that railway and I don't think the N. W. R. put up any additional officers.

Mr. Satyamurti.—Are the other railways doing it themselves ?

Sir Guthrie Russell.—Yes.

Mr. Satyamurti.—Why have you dropped the suggestion that the Central Publicity Bureau should undertake the examination of the import and export trade of India ? It seems to me a very useful line of investigation.

Sir Guthrie Russell.—The Central Publicity Bureau is situated in Delhi, whereas we have got the headquarters of railways all situated at nearly all the main Ports. We have also got the very valuable statistics collected by the Director-General of Commercial Intelligence and Statistics.

Mr. Satyamurti.—You will agree that a kind of central investigation will go a long way to increase the traffic of railways.

Sir Guthrie Russell.—I think it will mean duplicating the work.

Prof. Ranga.—Is it not a fact that the Wedgwood Committee has also recommended that an examination should be undertaken in regard to the import and export trade of India and of other countries with which India is in competition in world markets ? The Pope Committee have also said the same thing. When two Committees agree, why don't you consider this question ?

Sir Guthrie Russell—The main object of the Publicity Bureau is to increase passenger traffic.

Prof. Ranga.—Let the Railway Board do the examination of the import and export trade of India?

Sir Guthrie Russell—As I have pointed out, this is already being done by the Director-General of Commercial Intelligence.

Prof. Ranga.—If you think it is enough and it serves the commercial needs, why don't you supply that material to the various railway authorities and expect them to retrench?

Sir Guthrie Russell.—All the material is available to Railways. We collect certain statistics for the Director-General of Commercial Intelligence.

Mr. Satyamurti—There is a feeling that certain railways deliberately lower rates in order to encourage particular ports. Is there any such tendency at all?

Sir Guthrie Russell—I think that idea is quite unfounded. On the other hand there is the closest co-operation between the railways.

Mr. Satyamurti.—Item 10 of the statement. I want to take up this question of saloons. Can you tell me how many saloons are there in your own country?

Sir Guthrie Russell—Very few.

Mr. Satyamurti—Then, why are there so many in this country?

Sir Guthrie Russell—Because the conditions are entirely different. From London to Edinburgh takes only 6½ hours. No single journey takes much more than 12 hours. You get hotels at almost every place to stay in. You have no such thing in India.

Mr. Satyamurti.—There are dak bungalows.

Sir Guthrie Russell—But they are only at certain stations.

Chairman—On the Eastern Bengal Railway you have two saloons for three officers. In some railways there is one saloon for three officers. It is a common thing to have one saloon for two officers. Is that not extravagant?

Sir Guthrie Russell—In various divisions, saloons have got to be pooled even as it is and are in constant use.

Chairman—Does it mean that whenever an officer travels, he must travel in a saloon. Throughout India, on an average you get a saloon for every two officers. That seems rather extraordinary. If this subject is to be tackled, it would be done by stopping renewals when the saloons fall due for renewal?

Mr. Satyamurti.—Is that the policy of the Railway Board, to diminish the number of saloons?

Sir Guthrie Russell.—The policy is to keep the number down to a minimum.

Mr. Satyamurti—What is the minimum?

Sir Guthrie Russell—I could not tell you. Supposing we abolish all these saloons, it is going to cost you much more in the way of travelling allowance.

Chairman—That is a proposition that requires some proof, that it pays you to put so much capital into huge saloons and that it works out cheaper than the alternative of paying the man ordinary travelling allowance. That may be true, but before one accepts it one has to be satisfied by facts and figures.

Mr. Satyamurti—All we are suggesting is that the saloons as they fall due for renewals should not be renewed, and that you must get down to a much lower number on each railway.

Sir Guthrie Russell—Every single case is looked into by the Standing Finance Committee.

Mr. Satyamurti—And this is the result.

Sir Mohammad Yakub—What is the reduction in the number of saloons during the last five years?

Sir Guthrie Russell—I could not tell you.

Mr. Satyamurti—Some of these saloons are moving bungalows, with big dining rooms, bed rooms, servants' rooms.

Chairman—We are now more concerned with the number of saloons.

Mr. Satyamurti—I suggest that we include a definite recommendation that, when these saloons fall due for renewal, they should not be renewed and that the number should be reduced to a reasonable minimum.

Sir Guthrie Russell—We put all these proposals before the Standing Finance Committee.

Sir Mohammad Yakub—All these saloons should be used only for official purposes and not for marriage or shooting or picnic parties.

Cap. Sir Sher Muhammad Khan—Railway Officers must have some advantages.

Chairman—I certainly think that some investigation should be undertaken into the number of saloons in existence and the necessity for them with a view to seeing whether the number cannot be very seriously reduced.

Mr. Satyamurti—I suggest that no renewals be made and that the Government of India should fix a minimum.

Sir Guthrie Russell—Surely that is a matter for the Standing Finance Committee.

Chairman—In the meantime, until this investigation is made, we recommend that no renewals should be undertaken. This has not got any retrospective effect.

Mr. Satyamurti—We now go on to the note on amalgamation. From a perusal of the note, it seems to me that there is a *prima facie* case for amalgamation.

Prof. Ranga—You make mention of the fact that you will have to pay labour in the way of increased wages in the case of amalgamation?

Sir Guthrie Russell—That is a possible contingency.

Mr. Satyamurti.—The argumentative portion of this note is on page 4. It gives a summary of what has been done in England and the Railway Board want us to accept their conclusions. I am sorry to see that you have made up your minds so conclusively.

Sir Guthrie Russell.—At one time I was also in favour of amalgamations. But I think it is obvious that two systems of railway the size of the E. I. R. and N. W. R. are very much more difficult to control efficiently than systems of more reasonable dimensions.

Mr. Satyamurti.—We are very much in favour of amalgamation. Take, for example, this question of the elimination of uneconomic competition. Are you sure there is no uneconomic competition among the railways?

Sir Guthrie Russell.—Very very little.

Chairman.—We have got a very considerable measure of control on our State-managed and also on the company-managed lines. In England they are not faced with the same problem.

Mr. Satyamurti.—Is there unrestricted competition between the railways in England? Do they quote different rates?

Sir Guthrie Russell.—The rates are fairly uniform now.

Mr. Satyamurti.—You say at the end of paragraph 7: 'It cannot, therefore be claimed that amalgamation of railways in India would show great savings in this respect'.

Sir Guthrie Russell.—I put that in tentatively. We cannot say there will be any savings. As regards the pooling of locomotives, the distances in India are sufficiently long to get the full advantages out of this.

Mr. Satyamurti.—Are you sure there will be no savings, if you pool the rolling stock more effectively?

Sir Guthrie Russell.—I do not think you can save. You might have better distribution of Workshops. That might help in the matter of repairs.

Mr. Satyamurti.—Take the Grand Trunk Express. For covering the distance from Madras to Delhi it takes more than 48 hours. You may save a few hours there.

Sir Guthrie Russell.—It does not pay to run fast traffic on this route. The number of through passengers is so small.

Mr. Satyamurti.—I was only mentioning that as an illustration. If you run it as a fast service, you may increase the traffic.

Chairman.—That is a different question from the pooling of railway stock. If you keep a special reserve for each different unit, then the total reserve would be bigger.

Sir Guthrie Russell.—We are trying to have a pool for mela traffic.

Mr. Satyamurti.—Paragraphs 8 and 9. Co-ordination of workshop and repair facilities. At the end you say that 'taking everything into consideration, it is not considered safe to allow more than a five per cent. saving in workshop costs as a result of amalgamation'.

Sir Guthrie Russell.—You have to haul the locomotives enormous distances for repairs otherwise and that is going to cost you a good deal. In England no locomotive need be hauled for a distance much more than 100 miles.

Mr Satyamurti.—With regard to centralisation of stores organisations, you do not consider that you will be able to secure very great advantages through amalgamation, but that a ten per cent saving may be expected in the administration.

Sir Guthrie Russell.—One of the recommendations of the Wedgwood Committee is to concentrate the manufacture of coaching stocks at Lilooah and Matunga—this could be done without amalgamation.

Mr Satyamurti.—Can we make a recommendation on paragraph 15?

Chairman.—This matter will come up for regular consideration as a result of Wedgwood Committee's report. I do not want to create *ad hoc* machinery.

Mr Satyamurti.—I want to support this recommendation by saying that it is a wise one.

Sir Guthrie Russell.—I do not think any thing can be done till 1941 the date on which the B. B. and C. I. and A. B. Railway contracts fall over.

Mr. Satyamurti.—In the meantime, you must be ready with your estimates and reports. Has not the Wedgwood Committee voted against amalgamation?

Chairman.—As far as I can recollect, it has not.

Mr Satyamurti.—What I am anxious about is that Government should not make up their mind on this question of amalgamation, until they get more accurate information on this matter. I am generally in favour of the scheme which is shown in the map.

Chairman.—I will put the recommendation of this Committee like this.—This Committee thinks that the material in this note is obviously of not sufficient accuracy or completeness for Government to come to a conclusion and before Government comes to a final conclusion they will require very much more accurate figures than these. I am prepared to add that this Committee records that provided a scheme of amalgamation does not result in actual loss, it is in favour of the principle of amalgamation.

There are three other notes which we must take into consideration. The first one is a summary of approximate financial results in 1936-37. This really goes with the Wedgwood Committee's report. The next one is with regard to the financial results of the Madras suburban electrification on the South Indian Railway. Any comments on that.

Sir Guthrie Russell.—The Audit is not prepared to agree with us. They want us to run forty-two trains with the electrification as compared to twenty-six steam trains. I disagree with them there. If you have got to give the same fares, then you must run exactly the same number of trains. That is a point under discussion just at present.

Chairman—With regard to this we may say that we hope an agreement between the administrative authorities and the Audit and Accounts people will be reached soon so that we may have an agreed statement given to this Committee.

Sir Guthrie Russell—About this electrification, the whole scheme was gone into very carefully by the S. I. Railway but their anticipations have proved wrong.

Mr. Satyamurti—I suppose you have seen some of the suburban stations. They are much too generous, for the kind of traffic and the amount of traffic they handle. The window frames, and the steel frames are all imported from England.

Sir Guthrie Russell—These steel frames are cheaper than wooden frame. The expenditure on the electrification scheme has undoubtedly not been justified by the results on the figures before us.

Mr. Satyamurti—We must say that on the whole, we are not satisfied with the result of the working of this section.

Chairman—We may say that the Committee expresses its doubts whether this scheme ought to have been taken up at all.

Let us get on to the statement relating to Bombay.

Mr. Satyamurti—I think G. I. P. is going in the wrong direction.

Sir Guthrie Russell—They are getting on all right.

Mr. Satyamurti—What about the reduction of the rolling stock?

Chairman—The point was whether you should take into account only locomotives that had been actually sold. But this is a point which will eventually be decided between the audit people and the railway people.

Sir Guthrie Russell—It must be said that the G. I. P. electrification has undoubtedly retained the traffic. You can reach Poona from Bombay in 2 hours and 45 minutes.

Mr. Satyamurti—G. I. P. would have done better, if they had taken the power from the Tata's.

Sir Guthrie Russell—About two months ago Mr. Sturges and I went to Bombay to negotiate with Tata's an agreement for current after their existing contracts with the G. I. P. and B. B. and C. I. Railways expire. We negotiated rates which would have been quite impossible unless we already had had our power house at Kalyan. The building of that power house from the railway point of view is one of the best things that has ever happened.

Chairman—We may say that we have no special recommendation to make on the Bombay scheme. On the whole, they have done well.

Let us now consider the statement with regard to third class passengers.

Mr. Satyamurti—I want to say once more that you must do everything in your power to make the lot of the third class passengers better. You should remember that he is not a beggar. He pays you a lot, and therefore he must feel happy when he enters a railway station. You can

suggest methods better than I can do. I want the Railway Board to do something in this direction. The second thing is about the fares. I am speaking merely as an outsider, but the zone tickets and season tickets have really increased the traffic. There is no doubt that the railway trains are much fuller now than they used to be before.

Sir Guthrie Russell.—The Assam Bengal Railway has started a very interesting experiment. They have got a maximum fare of Rs 5 now which will take the passenger right up to the end of the hill section. It has been a success.

Chairman.—Has it been a success in terms of revenue? I am not in favour of playing about with these things, of giving people special facilities, unless it produces as much if not more revenue.

Sir Guthrie Russell.—It has been a success financially also. Then we had other big successes, e.g., the traffic to Faizpur where the Congress held its session last time.

Mr Satyamurti.—The railways made a very good arrangement, and they behaved very well indeed. I think you made extra money there.

Sir Guthrie Russell.—Yes, we did.

Prof Ranga.—Another thing that I have noticed is this. There is extra traffic now and although they have been attaching additional carriages they have not been sufficiently quick nor have they been sufficiently generous to avoid congestion of traffic. I have been a third class passenger almost every day and this is what I have noticed.

Sir Guthrie Russell.—Have you ever travelled in a third class carriage in Great Britain on special occasions? I can assure you there is more overcrowding there than there is in India.

Prof Ranga.—Then, the railways have put a board for complaints. They want the passengers to note down their complaints there. But that sort of thing is done only in English. I want it to be done in vernacular also.

Sir Guthrie Russell.—That we will do.

Prof Ranga.—Have you considered the advisability of publishing the A. B. C. guide again? Your present guides cause a regular confusion in our minds.

Sir Guthrie Russell.—A. B. C. guides would have to be issued for every main centre—a complicated and expensive business.

Prof. Ranga.—Then, the cleaning of the latrines and the carriages has not been very much improved. There has been some improvement but it is not much. At many of these junctions one is obliged to go to the Station Master and ask him to have them cleaned. The sweepers generally go to the first and second class compartments and neglect the third class compartments.

Chairman.—We may note that the Government are taking steps to improve third class carriages and are trying to find out the various methods of popularising them.

There are three other notes. Has anybody got any comments on them? Let us look at the note relating to free railway passes.

Mr. Satyamurti—Why should they have so many free passes? These pass holders always get the best accommodation.

Chairman—These pass rules have been revised on three occasions. It is not considered that these revisions would cause any substantial variation in the number of passes issued except in the case of the last revision which took place in 1937.

Sir Guthrie Russell—Different railways have different rules. Certain restrictions have been imposed since January 1937 which should reduce the number of these passes. But if you will look at the figures given in the statement you will find that the average number of passes per man per year for all the staff is very small.

Mr. Satyamurti—Take the first class passes. How many passes are issued every year?

Sir Guthrie Russell—About 16,000.

Chairman—As this is a subject which always raises suspicion, I think it might be a good practice on the part of the Railway Board to have a census every five years and publish the figures in some convenient report.

Sir Guthrie Russell—We are not adding to the number of passes. Actually, the number of passes issued in England is I believe higher than in India.

Mr. Satyamurti—If there are 2,000 officers, it works out to eight passes a year, and I think that is too much. We want this to be reduced. We want steps taken in that direction.

Sir Guthrie Russell—I am afraid there will be strikes, if we reduce these privileges.

Prof. Ranga—What, for the sake of passes? Let us have strikes. We know how to deal with them. I think we should teach the gazetted officers how to strike.

Mr. Satyamurti—I do not want strikes. But as an administrator the Chief Commissioner ought to be able to judge how far threats of strike will materialise.

Chairman—I would personally like to see new figures prepared under the revised pass rules.

Mr. Satyamurti—Do you expect the number of passes to be reduced according to the new rules?

Chairman—That is the object of reducing the privileges. I think it would be well if we are supplied next year, if possible with another census. Against that census you might give the number of officers in each class. That is what we want for comparison purposes.

Prof. Ranga—I do not want third class passes reduced. After all they get only passes and not saloons.

Chairman—For the purpose of comparison, we want the number of officers in each class and the number of passes.

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Thursday, 22nd July 1937, at 2.40 p.m.

Sir Guthrie Russell—The position as regards the Aden Railway is that the first portion of seven miles was built in 1916, an addition of 21½ miles was built in 1919-20. The cost of this was defrayed by His Majesty's Government and the Defence Department. In 1922 the officer in charge reported that the railway was losing money, and in 1923 the Government of India suggested to the Secretary of State for India that the War Office should pay the losses. The War Office refused to do this and also refused to meet the cost of dismantling. It was then decided to dismantle the railway, but the railway could not be closed down till the 1st August 1929 as the Aden authorities pointed out that till the new water supply was ready the transport of water by rail was necessary. The total loss, including cost of dismantling and allowing credit for stores was Rs. 2,75,000. We asked the War Office to accept this debit but they refused.

Mr. Satyamurti—Did the Government of India take it up with the Secretary of State?

Sir Guthrie Russell—The India Office informed the Government of India that under the agreement between the War Office and the India Office in 1926 which was ratified by the Cabinet in 1931 for the settlement of various disputed items of war expenses, no claim could be preferred against the War Office.

Mr. Satyamurti—Why did the Government of India give up this claim under that agreement?

Chairman—Under that agreement they obviously had no claim to it at all because the railways were not part of the jurisdiction given over to His Majesty's Government in 1926. The jurisdiction given over was military and political.

Mr. Satyamurti—Therefore the claim cannot be covered by that agreement.

Chairman—The only payments that His Majesty's Government were making were such payments as were made under that agreement.

Mr. Satyamurti—Therefore the claim for railways cannot be the subject-matter of the agreement. And if it was a liability of the War Office and the Government of India, any gains or losses should be shared by both.

Chairman—They objected to its dismantling and were prepared to continue it.

Mr. Satyamurti—Did the Government of India obtain any legal opinion, if the agreement covered this case also?

Sir Ernest Burdon—This agreement was a settlement of war claims and this railway was built during the war for the purpose of the war.

Mr. Satyamurti—But it was long after the war, and it could not be a war claim.

Sir Guthrie Russell—We were overruled by His Majesty's Government.

Mr. Satyamurti—Why did you acquiesce in it?

Sir Ewen Sturdon—What happened was that the War Office had as many claims against us as we had against them and in this agreement it was said that all these claims would be dropped. It was believed that it was an equitable arrangement with regard to all claims arising out of the war, to decide them on the non-payment basis. We escaped liability just as they did because they had many claims outstanding against us. The whole thing was negotiated by Sir Bhupendra Mitra.

Mr. Staig—With regard to paragraph 52 on page 29 of the Review the position is that in 1964 the Railway Board on the recommendation of the Agent decided that in view of the possible shortage of wagons on the E I Railway, 3,000 uneconomical wagons should be reconditioned. After they started the work they found that the ordinary repairs were occupying so much of their time that they had to abandon these repairs of uneconomical wagons. So the programme of 3,000 was kept down to 1,000. They had however procured stores to carry out repairs for 3,000 and these stores were kept in stock.

Mr. Satyamurti—Will they not deteriorate?

Chairman—They have mostly been used up now.

Sir Guthrie Russell—If this had not been done there would have been a shortage of wagons for the traffic to be carried.

Sir Guthrie Russell—With regard to locomotives I said that a memorandum had been submitted to the Standing Finance Committee. That was the original intention but as a Resolution had been passed in the Assembly on this subject it was considered that it was inappropriate that a committee of the Assembly should again consider the matter.

Mr. Satyamurti—Did Government consider the Resolution at all, since it was passed?

Sir Guthrie Russell—They did and decided that it was not a proposition that Government could take up.

Mr. Satyamurti—With regard to paragraph 4 of the Audit Report, I suggest that we should ask the Railway Board to investigate cases, apart from the written explanations, and to tell us whether it is possible to take steps to prevent these irregularities occurring again.

Chairman—I think we made a certain recommendation about it.

Mr. Staig—Yes, for future years to take a lesser number and investigate in detail.

Sir Guthrie Russell—It has to be considered that there are millions of transactions that take place every year and probably from that point of view the number is not very large.

Mr. Satyamurti—Unless the Director of Audit points out these mistakes, they will multiply. I want the Railway Board merely to investigate and prevent them.

Sir Guthrie Russell—If the Director of Audit will tell us what he considers really bad mistakes, we will certainly investigate them.

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Chairman.—So in future you will investigate cases and tell us what you have done to remedy them. I think that is satisfactory from our point of view.

Mr. Staig.—We are working in close co-operation with the Director of Audit.

Mr. Satyamurti.—With regard to paragraph 7 (a), the Railway Board sent a letter to the Railway Agents, in which they were asked to make reappropriations thrice in a year. I should like to know whether these instructions are being followed.

Mr. Staig.—We have had one or two cases where they are not doing so.

Mr. Satyamurti.—I want merely to know, in view of paragraph 7 (a) in the Audit Report, whether this recommendation is now being given effect to by the Railway Board. Instead of waiting for the year's accounts which will come up two years hence, is it possible for you, when you go round, by any detailed investigation to see if these instructions are being followed by these railways?

Sir Guthrie Russell.—I think we should consult the Chief Accounts Officer.

Mr. B. N. Mitra.—Control will be exercised in regard to G. I. P. Railway for 1936-37.

Mr. Satyamurti.—You say here "Several cases have been noticed in the Appropriation Accounts in which the reappropriations made by the Railway Administrations were either ineffective or were made in the wrong direction, indicating *prima facie* defective control". It looks rather alarming.

Mr. B. N. Mitra.—A reappropriation is made to a certain head of account or to a certain work, and we find eventually the expenditure is even less than the original appropriation. It is very difficult to say exactly in some of these cases, but we can only judge by the actual expenditure at the end of the year. I shall take up such cases in future and illustrate them.

Mr. Satyamurti.—I don't want the Audit to feel that we consider these remarks superfluous or unnecessary. But certainly, we have a right to insist that, wherever there are major departures from the budget rules, we must be informed about them, and it is the duty of the Auditor-General to do so.

Chairman.—I don't think that he will go outside or fall short of his statutory functions.

Mr. Satyamurti.—I am quite content with the way it is being done now, I want neither more nor less, but I differ from you when you say that, if he is satisfied with the explanation, he should not report it. I have got a right to judge how far the grants voted by the Assembly have been spent within the scope.

Chairman.—I don't think it is our duty to do that; it is the specific duty of the Auditor-General.

Mr. Satyamurti—On all these matters I am the Judge. I do not want him to depart from the present practice. "The main function of the Committee is to see how far the wishes of the Assembly are carried out in the matter of the expenditure incurred. In performing this duty it has also to see that no expenditure is incurred on any new service for which provision was not made either in the original demand or in a supplementary demand voted by the Assembly, that there has been no extravagance, and that money set apart for one purpose has not been directed to another without the sanction of the competent authority."

Chairman—I want him to go further than that and tell me if in his judgment there has been not merely *prima facie* defective control. That is the whole thing I am after.

Mr. Satyamurti—Paragraph 9. Unanticipated credits. What is the present decision?

Mr. Stang—If you turn to page 162, you will find there a list of un-expected credits in respect of the various grants. Orders were sent out some time in 1934 to the effect that no substantial unanticipated credits should be used for expenditure purposes without the sanction of the Government of India.

Prof. Runga—What is the effect of it, and what has been your experience?

Mr. Stang—Actually at present there has been no question of utilising the bulk of the unanticipated credits, because there was excessive provision already under the head.

Mr. Satyamurti—What is the significance of paragraph 12? Is it the idea that some years later it will be possible to do that? What are the instructions under Grant-3?

Mr. Stang—I explained that yesterday. We have written to the India Office, ascertained their procedure in regard to budgeting for recoveries and advised the railway to adopt it, if, as seems the case, it is better than that previously followed.

Mr. Satyamurti—Is anything being done to really correct the defects under these two grants?

Mr. Stang—I explained yesterday that we are collecting figures for each railway for the last four or five years, and when the Chief Commissioner and I go on tour next week we shall draw the attention of the Agents to the facts.

Mr. Satyamurti—Paragraph 12. Estimating under Stores and Manufacture Suspense in Grant no. 12. Is it impossible to make more accurate estimates? See the last sentence—"Like last year the variations under both the heads were the net result of large variations on individual railways which in turn were the resultant effect of debits and credits, each involving large amounts in several cases." I agree that in the net it is only about 23 lakhs, but I should like to know if more accurate estimates are impossible?

Chairman—Suspense accounts all over India, civil, military or railways, always give us this trouble. It is due to the fact that they are concerned with stores, and you can't apparently estimate when your

stores will be delivered exactly or when they are going to be paid for. It is the same defect all over India.

Sir Guthrie Russell—The difficulty is that we are never quite sure when stores will be delivered. For example, you may budget for locomotives arriving in the middle of the year, if these are delayed till the end of the year it is not possible to credit the Suspense Account and debit the Open Line Capital Account. We had a typical case this year. We expected to get the air conditioned coaching equipment by the end of March. Now we do not expect this to be in the country till the end of August. We may anticipate that stores will be drawn in March whereas it may not be possible to draw them till April. This again throws out the Suspense heads.

Mr. Satyamurti—Is there any scope for issuing more explicit instructions?

Sir Guthrie Russell—We are always bringing pressure to bear on the railways, but as I said there is always the same difficulty.

Mr. Satyamurti—Why was not the final grant based on the results of the works programme? I want to know whether deliveries were outstanding or were actually made.

Chairman.—I should like to put the question this way,—does he believe that these Suspense Heads can be worked more closely than they are now? Because this defect is not really a defect only in railways. Or would he care to have the matter generally looked into by his department some time next year and see if he can suggest any means by which he can effect an improvement?

Sir Ernest Burdon—Every Accountant-General is always most elaborate in his investigation through his suspense accounts every year and finds almost the same thing.

Mr. Satyamurti—This case will no doubt be investigated, but, in addition to that we want the Auditor-General's help to see if he can, by a general examination of such cases, evolve some method by which he can look for improvement, or come to the desperate conclusion that we can do nothing.

Chairman.—We hope to have next year a joint production of the Railway Board and of the Director of Railway Audit on this case, both specifically and generally.

Mr. Satyamurti.—Paragraph 15. The audit comment here is that there has been a slight deterioration.

Chairman.—I take it your remark is based on statistics principally?

Mr. B. N. Mitra.—Yes.

Chairman.—I do think it would be well if the Railway Department would bring to the notice of these two railways that there has been some deterioration, and that it hopes that that comment won't have to be made in future years.

Sir Ernest Burdon.—I adopt that criterion when there is evidence of some apparent deterioration in control.

Mr. Satyamurti—Paragraph 18 says that during the year under report an expenditure of Rs. 1,76,341 incorrectly allocated to capital was written back to revenue. What are the railways concerned in this matter?

Mr. Mitra—These are company railways.

Mr. Satyamurti—What are the companies most responsible for this figure?

Mr. Mitra.—I have not got the details here. This is a minor accounting error.

Mr. Satyamurti—Do the companies accept the same basis of allocation?

Mr. Mitra—Yes.

Mr. Satyamurti—Paragraph 19. May I ask how the Governor-General in Council sanctioned this expenditure?

Chairman.—It is easily the worst case I have come across.

Sir Guthrie Russell.—The present Agent discovered it.

Prof. Ranga.—The recommendation of the Railway Board seems to have been flouted.

Chairman.—The Railway Board will have to accept their responsibility. I am sure they will agree with me that this is a scandalous case.

Mr. Satyamurti.—Was any censuring done?

Sir Guthrie Russell.—This is a company-managed railway. We can only pass a censure on the administration. We cannot pass censure on individual officers.

Mr. Satyamurti.—We should place on record our disapproval of the whole thing. The Railway Board desired that the Agent should take steps to prevent a recurrence of such irregularities and that his reply should be communicated to the Railway Board at an early date. I want to know whether a reply has been received from the Agent.

Chairman.—There is no doubt that the proper procedure was not followed in this case. We might put on record that we hope that the Railway Board will take sufficient control of a situation like this if it arises in future and see that the local railway administrations take prompt action directly a thing like this is brought to their notice, so that the railway administrations cannot get away with such a scandalous piece of work as they have done in this case. We endorse the view of the Government of India when they express their very serious disapproval of the way in which the whole case has been handled by all parties concerned.

Prof. Ranga.—With regard to paragraph 20, I trust that hereafter there would not be much fear of these locomotives not working properly?

Sir Guthrie Russell.—All defects have been rectified now.

Mr. Satyamurti.—I take it that the Railway Administration accept the statement of facts.

Mr. Mitra.—Yes.

Mr. Satyamurti.—So far as the companies are concerned, do you consult the Railway Board about them?

Mr. Mitra—I think it is only fair to let the Railway Board know the gravamen of the charge

Mr. Satyamurti—Do you change your comments, as a result of representations made by the Railway Board?

Mr. Mitra.—Very little

Sir Guthrie Russell—They are very sticky about it.

Mr. Satyamurti—Paragraph 21 is also a bad case

Sir Guthrie Russell—The facts are admitted. I think the Railway Board must accept partial responsibility for this

Chairman—I think we might record that the Committee appreciate the reasons for the decision of the Railway Board to undertake the investigation of an alternative plan of dealing with this matter, but deprecate the length of time which they took to come to any conclusion and the consequential loss of public money

Prof. Ranga.—I want you to say something on this, that the desirability of calling for further tenders was reiterated and in spite of that the Railway Board took no action

Chairman—I do consider that whatever the difficulties were, to take eighteen months over this was reprehensible.

Mr. Satyamurti—It is not a case of delay or forgetfulness or negligence. They were told more than once that they were losing.

Sir Guthrie Russell.—I admit that the time taken for consideration was too long. Our hope was that by introducing departmental labour we would get the work done cheaper. That hope was not fulfilled.

Prof. Ranga.—Don't you think, Mr. Chairman, we ought to lay it down that as far as possible they should not give out these contracts without calling for tenders?

Sir Guthrie Russell—We don't.

Mr. Satyamurti.—We ought to make a recommendation.

Chairman.—We might add: We also deprecate the fact that the original contract in 1931 had been given out otherwise than on open tender.

Mr. Satyamurti.—With regard to paragraphs 22, 23 and 24, I want to know whether the Railway Administrations have got competent legal advisers.

Sir Guthrie Russell.—The East Indian Railway had consulted a vakil.

Mr. Satyamurti.—I can understand it, if the East Indian Railway could not get better terms but it is very objectionable to enter into a wrong contract and then to say, when they were found out, "Oh, we could not have got anything else".

Sir Guthrie Russell.—There has been a muddle in this case.

Mr. Satyamurti.—Then, are you satisfied that all the Railways have got competent legal advisers?

Sir Guthrie Russell.—In this case the thing was done in a great hurry. They had to get the site cleared quickly so that the staff could be housed.

Mr. Das.—I think the contractor is morally guilty and he ought to apologise. You can strike out the name of the contractor from the list.

Chairman.—There is no striking off names if you have got the open tender system. Of course, you can turn him down on the ground that he was a bad fellow before.

Mr. Satyamurti.—Paragraph 24. I think it is a bad case.

Chairman.—The Railway Board also think the same. We would like to know what the Railway Board has done in this matter.

Mr. Satyamurti.—Is he still in service?

Sir Guthrie Russell.—He has got a year more to go. He will be going away very shortly.

Mr. Satyamurti.—The standard of punishment is not as severe, as it ought to be in a clear case like this.

Chairman.—I am quite prepared to say that in this case the Committee considers that the Railway Board acted more leniently than was reasonable in dealing with the engineer responsible for this.

Prof. Ranga.—What is the procedure followed by the Railway Board in regard to such other officers?

Sir Guthrie Russell.—They are responsible to the Railway Board direct now.

Chairman.—The rest of the railway staff have been operating for a much longer time. The railways managing their own collieries is a comparatively new activity and they have not yet got themselves into their stride.

Sir Guthrie Russell.—The B. N. R. also manage their own collieries.

Mr. Satyamurti.—Paragraph 25. Do you communicate with the administration concerned in a case like this?

Sir Guthrie Russell.—The procedure is like this. The Chief Audit Officer communicates with the Chief Accounts Officer. If the Railway concerned accept it, then it comes to us as an accepted paragraph. If the Railway does not accept it, then we are dragged in.

Mr. Mitra.—It is not like that. The Chief Auditor has got to discuss and settle it with the Chief Accounts Officer. If he does not agree, he will report the case to me. After that I take it up with the Railway Board.

Mr. Satyamurti.—Therefore, the Administration have not accepted it.

Mr. Mitra.—They have accepted it.

Mr. Satyamurti.—Will you kindly report to us on this?

Mr. Steig.—We will.

Mr. Satyamurti.—Paragraph 26. May I know what is the resultant loss to the railways concerned?

Chairman.—It is not so much a loss, it is an irregularity.

Mr. Satyamurti.—Paragraph 27 This is a bad case, and I think somebody ought to be punished. I suggest to you that you must ask your Agents to be a little more ruthless in dealing with such people who make these ugly mistakes.

Sir Guthrie Russell.—Our policy has been that in dealing with defalcations we are absolutely ruthless. But in other cases of genuine mistakes we do take a more lenient view.

Chairman.—I think it would be advisable if you sent a letter expressing your disapproval of what has happened in a case like this. You might, at any rate, point out to the Agent that you presume that he will be taking necessary steps against any individuals concerned. I do not know if the Railway Board itself needs to fuss about the particular punishment accorded to a couple of clerks.

Mr. Satyamurti.—I want Sir Guthrie Russell to take more drastic action, in a case like this. They consider a period of two years and two months, as an unavoidable delay.

Chairman.—In regard to paragraph 27, we might say that the Committee suggest that the Railway Board in conveying to the Railway Administrations their displeasure at the action taken in various cases that have come to our notice should, at the same time indicate to the Agents that they expect that the Agents will take satisfactory steps in regard to the individuals who are found at fault in the matter.

Mr. Satyamurti.—I suggest that Sir Guthrie Russell should go out and discuss some of these matters personally.

Chairman.—I agree with you there.

Mr. Satyamurti.—You can tell them, how we feel about this matter.

Mr. Staj.—Certainly.

Sir Guthrie Russell.—Every case mentioned in this report will be discussed with Agents.

Mr. Satyamurti.—Paragraph 29. I want to know if the Audit are satisfied in regard to these checks, that are mentioned in the last sentence.

Mr. Mitra.—We are satisfied.

Mr. Satyamurti.—Paragraph 30. I want to know what steps are taken in regard to this, and whether the Audit is satisfied with regard to this?

Chairman.—I take it that in all such matters you do see whether the rules are satisfied.

Mr. Mitra.—We always do that. At least that is what the local auditors do who are responsible for such cases.

Mr. Satyamurti.—What is the departmental action taken with regard to the last item mentioned in paragraph 33?

Mr. Guthrie Russell.—One Inspector was censured and this censure will be taken into account at the time of his promotion. One Inspector was severely warned.

Mr. Satyamurti.—It is a good beginning ; go ahead with it.

Paragraph 35. The only point with regard to safety is why these certificates are not uniform. Why does the certificate in regard to each railway differ in the terms of its verdict ? There is some slight difference.

Sir Ernest Burdon.—They were certified by different authorities.

Mr. Satyamurti.—In regard to this safety business, I want to know what happens when an accident of the kind near Patna happens. Do you appoint an independent committee or a departmental committee ?

Sir Guthrie Russell.—The Senior Government Inspector holds an inquiry.

Chairman.—In future, he will be independent of the railway authority.

Mr. Satyamurti.—Is there any kind of public inquiry ?

Sir Guthrie Russell.—The District Magistrate and District Police Superintendent may attend the enquiry if they so desire. The reason of their presence is that if a railway servant is held to be at fault it is for them to decide whether prosecution should be entered upon.

Chairman.—Is there not an Act under which such investigations are to take place ?

Sir Guthrie Russell.—The investigation is held under the Indian Railways Act. The Senior Government Inspector has to conduct the inquiry. That is his statutory function.

Prof. Ranga.—What is the practice adopted in England ?

Sir Guthrie Russell.—Almost exactly the same.

Mr. Satyamurti.—Will not this Government Inspector have some bias against any finding which may cast a reflection on his own work and on his own department's ?

Sir Guthrie Russell.—Very seldom. Normally, such accidents are due to a mistake of the driver or of a signaller and these things do not reflect on the Government Inspector in any way. I do not think I have ever found a case in which the Government Inspector has faked stating that the Railway was at fault if they were.

Prof. Ranga.—Have you ever considered the advisability of getting these people appointed either under the Home Department or some other department ?

Chairman.—I am not sure whether it has been decided or not, but I believe it is in the Act that they cannot be under the Railway Department. The intention at the moment is that they should be under the Department of Industries and Labour.

Mr. Satyamurti.—What was the cause of the present accident ?

Sir Guthrie Russell.—I have no details. The Member of Traffic has gone to the place of accident and the Agent has also been there. But for the meeting of Public Accounts Committee, I too would have gone there.

Chairman.—We now take the Appropriation Accounts. Page 7. Since you said that the Railway Board cannot control expenditure, show them how to do it. That is the matter.

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Mr. Jindra—There are some difficulties in the control of expenditure in this war. Our audit department is a part and parcel of the Indian Audit Department and there are frequent changes of officers. Owing to changes of the personnel, which are not anticipated at the time the budgets are framed, there are large variations. Then, again, we have got the same difficulties as the Railway Administrations experience in connection with pensions and gratuities. These are the main causes. Then, there is also the question of leave salaries.

Mr. Satyamurti—Page 9. Why could they not have made a more accurate reduction?

Chairman—This land business is outside the railway itself. They have to depend upon a lot of other persons for this.

Sir Guthrie Russell—Ours is not the final estimate. Even when the estimates have been sanctioned, the award may be entirely different.

Chairman—We have to use the agency of the Provincial Governments to do this. Sometimes the railways have arranged with the Local Governments that one of their officers will be made a land acquisition officer.

Sir Guthrie Russell—There was at one time a special Land Acquisition Officer of the North-Western Railway and the same was the case with the G. I. P. Railway.

Chairman—With regard to this particular item, it might be advisable for the Financial Commissioner to look through some of the big figures and see if there is any systematic under-spending and that might be taken into account in regard to the future budgeting.

Prof. Ranga—Page 18. Under E. B. Railway, column 1: "Due chiefly to special repairs not contemplated". Why did they think of it only in the course of the year?

Sir Guthrie Russell—These things are unforeseen. Some of the rivers shift their course and consequently you have to give new connections.

Mr. Satyamurti—Page 19. Under voted, you have an excess of 33.

Sir Guthrie Russell—It is less than 4 per cent. They deliberately took economy measures to the extent of four lakhs.

Mr. Satyamurti—Page 21. B. N. W. Railway. An excess of 1.76.

Sir Guthrie Russell—They spent money to keep the line up-to-date. They never stint money on repairs. We must give them credit for that. They charge the lowest fares in the whole of India.

Mr. Satyamurti—Page 22. B. B. and C. I. Column 4. "Due chiefly to less expenditure on ballast, permanent way materials and cheaper cost of sleepers, etc.". Less expenditure is a fact. What we want is the explanation as to why there was less expenditure.

Chairman—That is a sound criticism which I myself have in mind. Description is not an explanation.

Mr. Satyamurti—Page 23. S. I. Railway. Column 4. There you see the same repetition of facts, due mainly to non-adjustment of materials released for replacement and renewals, etc.

Chairman.—I think we might make a general observation about this that the mere explanation of these differences does not carry the Public Accounts Committee far.

Sir Guthrie Russell.—Give us an indication of the percentage you want.

Chairman.—I am quite prepared to accept the position if you and the audit people come to an agreement as to what you regard as the minimum below which you think that we, as the Public Accounts Committee will not want to trouble ourselves.

Mr. Satyamurti.—Supposing there is a flood or some unforeseen damage you may be cut by errors and yet I will not criticise. You may be wrong by merely a thousand in another bad case. There, I will criticise. I agree there should be a test, but it is not an exhaustive test.

Chairman.—All cases where there is a principle involved should be mentioned.

Mr. Mitra.—If there is an important case that will be taken up.

Mr. Satyamurti.—There we must insist on a real explanation.

Chairman.—We agree that S. L. R. spent $1\frac{1}{2}$ lakhs roughly more than they anticipated in February. The question is why you did not anticipate it in February. That is the sort of question which we want the administration to be prepared to answer.

Sir Guthrie Russell.—We are as much interested in the accuracy of budgeting as the Public Accounts Committee, but it is impossible to budget within 1 per cent. Now during the year 1936-37 railways carried about 5 crores additional traffic; yet their working expenses went down by 47 lakhs. I don't think anyone could possibly have guessed that this would have been the result on the year's working.

Mr. Satyamurti.—That does not excuse mistakes on the part of your subordinates.

Chairman.—We only suggest that if a more detailed explanation is put in it would be useful to us.

Sir Guthrie Russell.—Cases where the variation is 5 per cent or more should be put in.

Chairman.—We leave it to the audit people and yourself to decide.

Mr. Mitra.—May I just explain? These are mainly in connection with works. The Railway Board make out a programme of works and then subsequently they find that certain works are not to be executed. That is the only explanation that could be given. It is not to be regarded as mere description.

Mr. Satyamurti.—Why do you change the programme?

Chairman.—Between the time of framing the budget and at that stage. If it was a question of economising, I can understand it.

Mr. Mitra.—That would open up very big questions. Because the programme is not a cast-iron programme. The Railway Administration decide that they are going to spend so much on a particular work. Later as time goes on they find that they cannot spend so much money; further

they have got money in reserve for unforeseen works. Therefore I submit that what may appear to a layman as mere description may seem to us a considerable explanation. I do not mean to say there are no shortcomings in the Administration. We shall try and improve.

Mr. Satyamurti—At the bottom of page 27 under B. N. R., column 4, “Due mainly to a credit adjustment of the provisional rates for coal”.

Mr. Mitra—The explanation is—there was a credit adjustment of 1,48 and there was therefore a saving

Sir Guthrie Russell—For their own collieries they would not know the rate till the end of the year

Chairman—Would they not know whether it would come to a rebate or not?

Sir Guthrie Russell—I do not think they know the actual issue rate until the end of the year until the accounts are made up. The market rate they must know

Chairman—I wonder whether that could not be altered. Why not issue coal at the rates based on past year's accounts and then make it up next year? Would it be possible to see in regard to their raisings of coal up to a certain date whether more accurate estimates could not be given? It might be that they would have to carry forward the loss or gain to the next year. Since it is a State colliery you can fix the rate based on the state of things for the first six months, and adjust it next year. This is worth looking into.

Mr. Satyamurti—Page 31. E. B. Railway, Column 1: “Due chiefly to heavier repairs to coaching and goods vehicles including extensive overhaul to old stock to avoid permanent deterioration and to unexpected debits for damages to interchanged stock caused by accidents”. Surely they could have anticipated the repairs.

Chairman—There again the same question arises, if the budget has been framed on the supposition that this would not be done, why did it have to be done? That is again covered by the type of explanation that we want.

Mr. Satyamurti—*Prima facie* it looks that it could be foreseen easily, because you know what rolling stock needs repairs. For this kind of work normally provision is made.

Chairman—We might record as regards this particular item concerning the E. B. Railway (voted) Grant VI (c) that so far as we can judge this was a work which either should not have been undertaken during the course of the year or which ought to have been foreseen.

Mr. Satyamurti—Page 32. E. I. R. They ask for 1,30 and they spend 1,39 more.

Sir Guthrie Russell—There again it is about 1.5 per cent.

Chairman—This is what Mr. Satyamurti would say. You spent nearly 4 lakhs in the replacement of some of the floors in a large number of vehicles and providing mosaic composition in lavatories. You could have left that work to next year. *Prima facie* putting mosaics into lavatories could hardly be called an emergency piece of work.

Sir Guthrie Russell—There is a general programme of replacement of vehicles. It does not pay to hold up the work and carry it forward to next year.

Chairman.—You know what the regular programme is for every year. You get a certain percentage of regular work of this kind.

Sir Guthrie Russell—The vehicles are coming along every month.

Mr. Satyamurti.—Column 4 “Due chiefly to more periodical and non-periodical overhauls” Surely you could have anticipated the periodical overhauls. These things require explanation. On page 33, N. W. R., column 4, the explanation is “Chiefly due to underestimation of the expenditure on repairs and maintenance of coaching vehicles”. This is not an explanation; on the other hand an admission of knowing that it will happen. On the same page under voted, original was 1,06,30, sanctioned 6,80 and revised 1,40. You got wrong twice in the course of the year and your explanation is underestimation of the extent of repair.

Sir Guthrie Russell—This is quite simple. It is due to the variation in the price of stores.

Chairman—If that were the explanation, we ought to have been given it. If the price of stores differed from the prices on which you framed your budget, that is sufficient explanation. But you have not given it.

Mr. Satyamurti—The explanation given in column 1 does not say it was due to higher price of stores.

Chairman—The fact is that we know that it is an underestimate and we want to know why it was. I think the Committee can record something like this—Under N. W. R. Grant 6-1 (voted) the explanation given for column 4 is a particular example of the absence of the type of information which the Committee desires.

Mr. Satyamurti.—Page 35. If you look at this page, you will get the same thing.

Sir Guthrie Russell—In column 1, it is only a variation of 1 per cent. Out of a total final grant of one crore and odd, there was an excess of only Rs. 1,19,000.

Mr. Satyamurti—After all look at column 1, under M. and S. M., under voted first it was 38.25, then 1.50 and again 1.25 reduction and in the result they spent 1,74 more. I think it is wholly wrong, on the part of these gentlemen to go on interfering with the figures.

Chairman.—It looks to me what happened is this. They spent 1.50 on extra bits of work that the people had in mind and 1.25 was a special reduction when they stopped particular works. They do not consider the main body of the gross expenditure and that is why the process of individual reappropriation is probably not a satisfactory overhaul.

Sir Guthrie Russell.—Every one of these is a guess.

Mr. Satyamurti.—At the bottom of page 39, you find that the Eastern Bengal Railway unnecessarily added one lakh.

Chairman.—The explanation is given under column 4 and it is a reasonable one; they could not anticipate the credits which came along.

Mr. Satyamurti.—On page 40, the East Indian Railway added ₹ 60 and saved 5.27. The explanation is that it was due to non-receipt of full debits for terminal charges from the E. B. Railway. Is there no time limit for these things ?

Mr. Mitra.—There are fixed dates for the adjustment of these charges but sometimes there might have been some delays in particular cases. There it is thrown forward to the next year.

Chairman.—I think we should ask them to consider when a particular railway undertakes revised estimates which involve changes in the adjustments between it and other railways whether these changes should not be intimated to the other railways concerned so that they can adjust their budgets accordingly.

Mr. Satyamurti.—On page 41, there is the B. N. Railway. You reduce by Rs. 43,000 at the last moment, and yet you prove wrong to the extent of Rs. 1,67,000.

Prof. Ranga.—Or is it because you were not intimated that such a thing was happening that lower paid staff were appointed to higher grade posts ?

Chairman.—I think we should point out that in regard to the explanation given against column 4, B. N. Railway, under Grant 6-E, it is not explained why the matter could not have been foreseen at the revised stage.

Mr. Satyamurti.—On page 43, the M. and S. M. Railway added 2,90, and they had still to spend 2,13 more.

Chairman.—We will comment here that there is no reason given why that could not have been foreseen at the revised stage.

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Chairman.—I think we need not record any more in relation to those things that we have already made comments on. What I mean to say is that in the proceedings we need not draw attention to them. As we go through them, we may draw the attention of the Railway Board to them.

Mr. Satyamurti.—Page 46. I am not satisfied with the explanation given here.

Chairman.—It might have been done with the deliberate purpose of economy.

Prof. Ranga.—It is rather a wrong head.

Chairman.—Page 47. The rising or reduction of posts seems to be a very common explanation. Is it part of the process of retrenchment? Of course, the changes in personnel may cause the figures to go up or down.

Prof. Ranga.—But the revised scale of pay could be antedated?

Chairman.—The introduction of the revised scale of pay depends upon the number of casualties. If the casualties are more, then you can get more people on the new scales of pay.

Mr. Satyamurti.—Page 49. Items of losses. I want to know what is the principle on which these recoveries are made. Is it a matter of generosity?

Sir Guthrie Russell.—Normally it is spotted within the year.

Chairman.—It is an adjustment between different railways.

Sir Ernest Burdon.—The essential principle is that you want to treat your employees with ordinary equity and that is the criterion that is always applied in these cases. If it is a case of under-payment, then there is a time-limit of three years. He cannot claim afterwards.

Prof. Ranga.—Does not that time-limit operate here also if it is a matter of over-payment?

Sir Ernest Burdon.—As a matter of fact, if it is a question of an over-payment, to an employee, I think the Government could probably recover the amount even after twenty years if they thought it fit. I do not think there will be any legal bar to it. But the practice is, as I said, to treat your employees with reasonable equity. The question of recovery depends very largely on many circumstances such as whether the man has drawn the amount *mala fide* or *bona fide*, the amount involved, the circumstances of the man, and so on. All sorts of circumstances come in.

Mr. Satyamurti.—Page 51. E 1 R. (voted). Roughly, half of the extra appropriation proved too much.

Mr. S. Iyer.—It was a mistake. It was found out later on.

Prof. Ranga.—How long did you take to find it out?

Sir Guthrie Russell.—We cannot tell you that.

Chairman.—We have made a general recommendation that unless the Auditor-General thinks that something is illegal, the general rule should be to charge the expenditure where we have wrongly made the budget provision.

Mr. Mitra—It is probably an error of accounting. The order was there that it should be charged to Grant no. 12 and the provision was probably made wrongly here.

Chairman—Even if the provision is wrongly made, we shall let the classification during that year follow the wrong provision, unless there is something illegal in it. Most of these are small sums.

Mr. Satyamurti—Page 54. Look at the explanation. They did not know the rate of interest till the end of the year. Where was the need to increase it by Rs. 23,000?

Chairman—What must have happened was that capital must have been increased so that interest charges were anticipated to go up but owing to the actual rate they have been pulled down. The total interest even with the increased capital was less than expected.

Prof. Ranga—Page 56. Over-payment of provident fund and bonus and all that. How does it happen? It is either overpayment or payment to those people who are not entitled to it at all?

Sir Guthrie Russell—It is paid to those who are entitled to it.

Chairman—It is only certain service that counts. Temporary service does not usually count.

Mr. Satyamurti—Page 57. Take the B. B. and C. I. Not one of these explanations strikes me as a thing which could not have been reasonably foreseen. You will find that there are cases in which there was absolutely no need to change their mind.

Chairman—Is retrenchment still going on? What are the special circumstances in the year 1935-36 for not filling the vacancies?

Sir Guthrie Russell—There is retrenchment all the time.

Mr. Satyamurti—It is a matter of Rs. 48,000 and I would like to know what happened in these railways when they said that they won't fill up these vacancies. Why did they make a provision in the budget?

Chairman—We might say that in order to test the validity of the explanations used throughout this report in regard to the savings, we would like the item of Rs. 48,000 saved on account of the non-filling up of vacancies under B. B. and C. I. (voted) Grant no. 6-II investigated for the purpose of examining whether it was possible to anticipate this situation at the budget stage.

Mr. Satyamurti—Page 60. Is it correct to say that when the budget is framed these figures are not known?

Chairman—When the budget is framed, they have not got the figures of the previous year before them. We do not get them till a year after that. In fact, we are putting up our budget before the actual year is finished physically. But I am certainly very much in favour of getting a sort of accounting where these figures can be known more accurately. The same thing applies to interest. You cannot find out the interest charges till after the end of the year. We might make a suggestion that the Railway Board may consider whether in the matter of fixing the amount of depreciation it would be possible to modify the present scheme somewhat so that it would result in your knowing accurately the amount

you have to provide for depreciation during the course of a particular year at the time of framing the budget. We would like this point to be investigated.

Sir Ernest Burdon.—It is a common problem in the field of accounts. We have been discussing it for about ten years. I do not know the details but surely we have all arrived at some definite arrangements. It seems to be the best that we can do in relation to the new accounting and banking arrangements. In the great majority of cases what has been done is that you take as near as you can and if there is any difference you adjust it in the following year. Besides, the figure mentioned at the bottom of page 60 is a small figure and I cannot see anything objectionable in that. In this particular case it is easy to make a very close guess.

Chairman.—At any rate, we might ask the Railway Board to look into this matter and to see if that does amount to an improvement. Even in the matter of interest I think it would be as well to stick to the figure that you have arrived at at the revised stage and make the extra bit of adjustment next year.

Sir Ernest Burdon.—As a matter of fact, this has been gone into also. The Finance Department and my people have been dealing with it in connection with the new arrangement.

Chairman.—We might ask Sir Ernest Burdon to examine this matter in connection with the matter that has been going on in connection with the Provinces and see if he can apply some of these principles to the Centre. We were actually tackling the provincial question last year in connection with provincial autonomy.

Mr. Satyamurti.—Page 65. I am now referring to the note. How is it arrived at? Is it mere guess-work?

Sir Ernest Burdon.—No, these are the actual quotations from the market.

Chairman.—These are bought from the market.

We might go back to Grant no 11, page 18 of the Review.

Mr. Satyamurti.—If they asked for 8 lakhs and spent 6 lakhs more, we should like an explanation.

Sir Guthrie Russell.—It is very creditable for the engineers in charge that they were able to complete the work very much faster than any engineer could have anticipated. Sinking wells in 65 ft. of water is very seldom done; they anticipated that it would take very much longer time, and it is very creditable that they were able to finish the work much earlier. No prudent engineer could anticipate it. The bridge will be completed this year in November, and we hope to open it in December next.

Chairman.—If this thing happened next year, in next year's account it would be criticisable in view of the accelerated progress.

We might record that we should keep a special eye on next year's accounts to see whether they have made an under provision for this work in the original estimate in the light of the accelerated progress made in 1935-36.

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Mr. Satyamurti.—Page 67 What about the S I R, figures? Why was it dropped in the course of the year, and why is no explanation given here?

Chairman.—We might record that the explanation given against column I under voted, S I R Grant no. 11 is another instance of the inadequacy of the information given in the explanations from our point of view. It is not explained why the construction was abandoned, and it is further not explained why the abandonment could not have been foreseen at the budget stage.

Mr. Satyamurti.—I want you to look up page 82 of this Appropriation Grant which sums up the total variation. I want somebody to total up all the minuses and pluses and give us the total variation which is the more relevant test.

Chairman.—We may ask the Railway Board in its review in particular in the cases of these Capital Grants nos. 11 and 12 to indicate the gross plus departures from budget and the gross minus departures.

Mr. Satyamurti.—We shall take up page 69, first item. Supposing this was the entire budget, and certain railways get the figures which they did not need; in that case we might be starving the other railways. I do not object to economy, but I object to false figures. You can't lock up money in one railway, because another railway might want it more urgently.

Chairman.—*Prima facie* you could not get a worse case of departure from the budget programme without any ostensible reason than that given in explanation of column I.

Mr. Satyamurti.—Then we shall take up the E. B. Railway. You provided Rs. 55,000, and did not spend it.

Sir Guthrie Russell.—We had a new survey.

Mr. Satyamurti.—Page 71. The explanation is quite unsatisfactory.

Sir Guthrie Russell.—We called for tenders but as the traffic was falling, we thought there was no justification for so many wagons and we reduced our number. The change was inevitable.

Chairman.—There must always be certain more or less inevitable changes in an engineering programme. The measure of control must have some reference to practical possibilities. I am trying to see where the line between safeguarding parliamentary control and recognising the practical difficulties of the engineers can be drawn. We do not want to be entirely impracticable.

Prof. Ranga.—I don't know whether it is necessary in the circumstances for the Railway Board to consult the Finance Department.

Chairman.—None of these changes would have occurred without the concurrence of the Financial Commissioner.

Sir Ernest Burdon.—Recognising that certain changes in the programme are inevitable, it has been decided that changes of any magnitude require the previous concurrence of the Finance Department.

Prof. Ranga—The Financial Commissioner is responsible to the Railway Board and as a part of the Railway Board his position as the watchdog of the Finance Department is being undermined.

Sir Ernest Burdon—He is not under the Chief Commissioner so far as the finances are concerned.

Mr. Satyamurti—Then, why not take him away from the Railway Board?

Sir Ernest Burdon—I have studied this question very carefully for many years, in the light of our experience of the past arrangement. If the control is vested in an ordinary branch of the Finance Department, it has suffered from lack of administrative knowledge.

Prof. Ranga—Let the Financial Commissioner be directly under the Finance Member and at the same time be a member of the Railway Board?

Sir Ernest Burdon—That is the position now. There is very little difference between the Financial Commissioner in respect to railway expenditure and the Financial Adviser, Military Finance, in relation to army expenditure. They are both representatives of the Finance Department.

Mr. Satyamurti—Why should he be a member of the Railway Board?

Mr. Stung—His point of view will carry much more weight if he attends the meetings of the Railway Board and has administrative knowledge.

Chairman—It is arguable one way or other. It is a matter of economy. If we don't have a man there, we shall probably have to have two men. I do not think we need make any change now, having regard to all the practical circumstances.

Mr. Satyamurti—We shall go on to page 71, bottom. This is a bad case. The explanation is: "Chiefly due to postponement or curtailment of works owing to non-receipt of material and the data for preparation of plans and detailed estimates not being ready." This seems to be a clear omission on the part of the Railway Board.

Chairman—Do you have a meeting to decide upon your open line works? Do you try to get the Agents to understand that items of open line programmes must be items on which there is a reasonable chance of money being spent?

Mr. Satyamurti—I want to know what the Railway Board was doing all this time.

Sir Guthrie Russell—We always ask the Agents whether they are in a position to spend the money. That inquiry is always made.

Mr. Satyamurti—These Agents are the most irresponsible people. They are answerable to nobody. Why do they let you down like this?

Sir Guthrie Russell—In our tours, we give general approval to schemes and the details come in afterwards.

Chairman—We shall put on record that we express the hope that the Railway Board in its tours and contacts with the Agents will draw their pointed attention to the many regrettable departures from the budget programme in the year 1935-36 and ask them to make use of that knowledge in making up the open line programme for the forthcoming year. We trust that the Railway Board will for future purposes try and assure themselves that in all these cases the money provided in the year will actually be spent during the year for which it is budgeted.

Mr. Satyamurti.—Let us go to the top of page 73. Here the explanation is: "Chiefly due to postponement and slower progress in the execution of works and works being done at cheaper rates, to curtailment and modification of renewal programme, etc."

Sir Guthrie Russell—You have got to remember that under-budgeting is worse than over-budgeting.

Mr. Satyamurti.—From our point of view, it is better, because you will have to come up for sanction in the case of excess expenditure. Take again page 75. There is a terrible departure there again.

Chairman.—Here again the actual expenditure programme has not the remotest relationship to the budget. There are several cases like that and we need not take time by discussing each one of them. Our general remarks cover all these cases.

Prof. Ranga.—We go on to page 87. Here there seems to be a huge stock of surplus stores.

Sir Guthrie Russell—When you remember that the railways are worth 800 crores, 9 crores worth stores is not very much.

Prof. Ranga—How often do you get these cases reviewed?

Sir Guthrie Russell—There is a check all the time.

Mr. Satyamurti—Is there any check by means of which an administrative head may satisfy himself, as regards the adequacy or inadequacy of the stores in stock?

Sir Guthrie Russell.—Yes.

Mr. Mitra.—During the last few years, there has been a reduction.

Prof. Ranga.—Supposing there are stores lying unused for years and years. How will you eliminate it?

Sir Guthrie Russell.—We circulate a list to other railways. Further when the Controller of Stores gets an indent for a particular type of material if he has an alternative he supplies it from his stock and he can enforce the use of this on other railways.

Mr. Satyamurti.—Page 88. On the B. B. & C. I. the verification of tools and plants was made by the department. Why was it so?

Chairman.—That is generally done by the audit department in the case of the company-managed lines.

Mr. Mitra.—That is only verification of tools and plants—a minor item in the stock verification.

Mr. Satyamurti.—You are satisfied that this verification is adequate.

Mr. Mitra.—Yes.

Chairman.—I understand that in B. B. & C. I. the revaluation of stores was not undertaken.

Sir Guthrie Russell.—They always claim that under the terms of the contract they can only write up. I do not think we want to worry them too much.

Mr. Satyamurti.—Why, in the case of State railway collieries, is there no verification of stock done?

Sir Guthrie Russell.—I will make enquiries.

Chairman.—We might record something about State railway collieries to the effect that we hope that if there are no arrangements for the verification of stock, early arrangements will be made in that direction.

Prof. Ranga.—On page 88, under B. N. R. there is a sum of 1.23 lakhs due to cost of stores found short in the course of stock verification. Was any action taken against the person held responsible?

Chairman.—There is always a certain amount of difference between the stores in books and the actual stores.

Sir Guthrie Russell.—The shortage is only about one percent out of a total over one crore.

Chairman.—Was there something systematically wrong or is it merely a book change?

Sir Guthrie Russell.—This is an adjustment from a number of years. The total amount of stores transactions on the B. N. R. would be about two crores per annum.

Prof. Ranga.—Do you verify the stock annually?

Mr. Norbury.—It takes about four years to complete a verification.

Mr. Satyamurti.—Pages 92 and 93. There are several items showing that expenditure was incurred without sanction. Some of these items relate to as early as 1933, 1934 and 1935. On page 96, you have got an item which is hanging since April 1928, amounting to more than four lakhs.

Chairman.—If you do not control the expenditure properly, I am afraid it may lead again to another Perambur workshop muddle. As regards work connected with earthquake areas there is of course good reason for you to say that they should get on with the work immediately. But we now see that they are still getting on with these works without the Railway Board's sanction. On page 91 you have an item amounting to 164,255 for which the estimates are still under preparation since January 1934.

Mr. Satyamurti.—In all these cases money is being spent without the Railway Board's sanction.

Sir Guthrie Russell.—In the case of work connected with earthquakes the work is started straightaway the next day without waiting for sanction.

Chairman.—Three years after that you put up an estimate.

Mr. Satyamurti.—Take the case mentioned on page 95 under E. I. R. There is a sum of 1,71,339. The scheme was approved by the Railway Board pending sanction to the detailed estimate which has been delayed owing to the modification of the original scheme. Presumably the money is being spent in the meantime.

Sir Guthrie Russell.—Earthquake again.

Chairman.—The money is being spent without your control and cognisance. We might suggest to the Railway Board to look into these items mentioned in Appendix A (i) and see if the general situation can be cleared up at a comparatively early date.

Mr. Satyamurti.—We should add that the Committee regrets the delay.

Mr. Stang.—Actually we have already taken up this question generally.

Mr. Satyamurti.—There are many more items, on page 98 a sum of 6,07,714 is pending since April 1933; on page 110, a sum of 3,42,790 since March 1932; on pages 101 and 102 you have got some more items. We are dealing with things which are pending sanction, and I suggest that you should express the regret of the Committee at this long delay, and exhort the Railway Board to dispose of these items as early as possible.

Chairman.—We will record that we regret to see that these items have been outstanding so long and we hope that the Railway Board will take steps to clear the items and to see that there is no future accumulation of the same sort of thing.

Prof. Ranga.—You have got several items on page 103 where expenditure has been incurred without the sanction of the proper authority.

Mr. Satyamurti.—In the case of B. N. W. R., there is a sum of 2,60,336 for which the estimate was submitted to the Railway Board for sanction. There is another item of 1,61,249, for which the estimates are under preparation.

Chairman.—These are all instances of expenditure being incurred by the railways themselves without proper authority and when the sanction of the Railway Board has not yet been given. There seems to be a sort of impression in the minds of the Railway Administrations that as soon as they despatch a piece of paper to the Railway Board, without waiting for the sanction of the Railway Board, they go on with the work.

Sir Guthrie Russell.—These Railway Administrations may have asked the Railway Board for general permission to go ahead within their own power before formal sanction is actually communicated to them.

Chairman.—Then this is merely formal lack of sanction. Cannot that be explained so that the audit can distinguish between formal things and things which involve financial liability.

Mr. Mitra.—It is all the same to the audit. So long as expenditure is incurred without proper sanction, it is put in the list of items placed under objection.

Sir Guthrie Russell—We give sanction in each case.

Mr. Das.—In commercial practice we do not take such a long time as five years to give sanction to an estimate. There are some items here where the work has been completed three or four years ago and still the estimates are pending sanction. I am afraid there is something wrong in the practice of the Railway Board, where it takes five years to sanction an estimate after the work has been completed. I do not think this is good business.

Chairman.—The indictment is that you take too long in the Railway Board to scrutinize estimates and give sanction. We might add as the opinion of the Committee that if in its scrutiny the Railway Board find that the cases take too long a period in their own office, it is hoped that they will endeavour to take steps or devise suitable machinery to expedite the disposal of these cases.

Mr. Satyamurti.—Page 110. In Annexure A (ii), there are certain items of works estimates for which have been provisionally passed by the statutory auditors.

Chairman.—There are some works on company lines which they cannot actually start till the audit people give a certificate. If the audit people think that 99 per cent of a certain work is all right and that there is only one per cent of it which requires to be discussed later on, they give a provisional certificate.

Mr. Mitra.—These are in connection with certain disputes in regard to the principles of allocation that have been referred to the Secretary of State.

Mr. Satyamurti.—How does the Secretary of State come in ?

Mr. Mitra.—Because he has got to negotiate with the home boards of the company-managed railways. The companies hold that these are contrary to the terms of their contract.

Mr. Satyamurti.—Annexure G. Are there specific heads created for debts in connection with different railways ? I find in this page specific debts and non-specific debts.

Chairman.—Where you can identify that a particular loan was created for railway purposes, we do so.

Mr. Satyamurti.—What is the interest rate ?

Chairman.—It is generally lower than the general rate.

Mr. Satyamurti.—When do they mature for repayment ?

Chairman.—The annuities finish mostly in 1950 or 1960. I think there are about 50 million sterling outstanding. We pay them off by instalments year to year.

Mr. Satyamurti.—Was anything paid last year ?

Chairman.—Towards these annuities we have got to repay a certain amount every year. There is another railway liability where we have got to create statutorily a sinking fund so that we are redeeming these sterling debts by these two means.

Mr. Satyamurti.—Is our sterling debt different from the railway debt ?

Chairman.—It is difficult to know. Generally speaking the sterling debt on account of the railways is something like £250 millions. You must assume that some of these non-specific debts which are expressed in rupees are in actual fact sterling debts because expenditure was incurred in England. We express our non-specific debts in rupees whether the expenditure is incurred in England or out here.

Mr. Satyamurti.—Annexure J. What happens to these mistakes detected ?

Chairman.—These are all corrected.

Mr. Satyamurti.—Is any action taken thereon ?

Mr. Stang.—Beyond correction no action has been taken.

Mr. Satyamurti.—Do the Railway Board take any action with regard to these statistics which are in this red book, that is to say do they apply their minds to improving the earnings or reducing the expenditure ?

Sir Guthrie Russell.—The Pope Committee is one of the methods by which the Railway Board have applied their minds to improving the net earnings. That applies to all railways.

Mr. Satyamurti.—Take for example these three lines of railways—the N W R., B N R and A B R.:—I want to know if the Railway Board, in sanctioning the budgets of these Railways, take into consideration which Railway continually tries to reduce expenditure and which Railway systematically spends more and more every year or do the Railway Board apply a uniform standard to all railways whether they incur profit or loss in their working ?

Chairman.—If you have got a proposal for expenditure from a railway which is a losing proposition, on the face of it you scrutinise that much more jealously than in the case of a railway that shows prosperity. That is to say you give your State lines much more notice than you do to the company lines.

Sir Guthrie Russell.—Every single proposal that comes before the Railway Board is scrutinised carefully to see whether there is financial justification for the scheme.

Mr. Satyamurti.—In examining the schemes, all the facts that are mentioned here in this paragraph are clearly in your minds.

Sir Guthrie Russell.—Yes.

Chairman.—You have probably treated the B. N. R. within the last five years much more jealously than anybody else. We can record, that we presume, and if our presumption is not correct, we hope that when the Railway Board is scrutinising the measures for expenditure on railways they take into account the financial situation of the various railways.

Sir Guthrie Russell.—We reject all proposals which have no financial justification unless they are essential for safety or some other special reason. We sanction only those measures which are likely to increase our revenue.

Mr. Satyamurti.—Pages 72 and 73 What is the capacity of the Tatanagar workshops ? Do you work to the full capacity now ?

Sir Guthrie Russell.—The figures given here are not the full capacity.

Mr. Satyamurti.—I think we must exhort the Railway Board to work these workshops to their full capacity

Sir Guthrie Russell.—At one time it was worked to full capacity, but as traffic has fallen off and we require fewer renewals the work has gone down

Chairman.—Are any orders from the State lines placed here ?

Sir Guthrie Russell.—Yes, for underframes Orders for wagons are placed outside.

Chairman.—We will say that we are most definitely in favour of the Tatanagar workshops being worked to capacity even if that means taking orders away from outside firms

Prof. Ranga.—When do they expect to give their orders for these improved third-class carriages ?

Sir Guthrie Russell.—A certain number have been built this year to improved design. But as regards wagons there is one point to be considered that the Government of India led these private firms to build their workshops for making these wagons and thus entered into commitments with them And if these wagons are to be built at the Tatanagar workshops it will mean a big extension of the workshops

Prof. Ranga.—The point is whether it is going to be profitable to the State You cannot go on encouraging private firms in order to make profits out of the State

Mr. Das.—I should like to put the case of the Indian industries who were definitely encouraged by Government to extend their firms If orders are taken away from them they will suffer.

Mr. Satyamurti.—The question is, can you make wagons cheaper here than in private workshops ?

Sir Guthrie Russell.—The Tatanagar Workshops were originally equipped for the building of coaching underframes. They have also built 1,000 wagon underframes for the B N Railway and are now building bodies on old underframes for the E. I. Railway This is in connection with reconditioning of uneconomical wagons I shall give you a statement this afternoon if the shops are being utilised to their full capacity this year.

Mr. Satyamurti.—And also whether it would be cheaper to make them in the workshops. If they can be made cheaper, I am in favour of their extension.

Sir Guthrie Russell.—There is another point which must be remembered. If we had fully equipped workshops for undertaking all our wagon requirements, in the event of a slump the shops would be empty and possibly have to be closed down. In other words the railways would " nurse the baby " whereas at present a decrease in orders affects only private firms. My own view is that railways are essentially for the

manufacture of transport and there is a great danger in their going into side lines such as this. In England to the best of my knowledge wagon requirements are obtained from private firms.

Mr. Satyamurti—And they are evidently making a profit out of it.

Chairman.—We shall make a recommendation.

Mr. Satyamurti.—As regards the railway collieries, I take it we are losing 12 lakhs in working them.

Sir Guthrie Russell.—They are now working full capacity.

Mr. Satyamurti.—I hope that is a permanent policy ?

Sir Guthrie Russell—From the purely railway point of view I agree.

Chairman.—They have agreed this year to take as much as the collieries can produce.

Mr. Das—I do hope before Government change their policy they will consult the Mining Association and the Mining Federation.

Friday, 23rd July 1937, 2-30 p.m.

Mr. Satyamurti.—As regards the stores purchase policy of the railways, there was an exhaustive note last year on this subject. Has any progress been made in this matter, and also are you looking forward to a time when more things will be manufactured or purchased by the Indian Railways in the country itself?

Sir Guthrie Russell.—Every year we give increasing orders to the I. S. D.

Mr. Satyamurti.—Are the company-managed railways coming into it?

Sir Guthrie Russell.—We are doing our best to persuade them, but some of the company-managed railways won't agree.

Mr. Satyamurti.—With regard to rails, the companies have been making exceptions in regard to buying rails, is it not?

Sir Guthrie Russell.—The B. & N. W. Railway bought a certain quantity of rails from England for their own sections, last year or the year before.

Mr. Satyamurti.—As regards purchasing locomotives, do you still purchase them outside India?

Sir Guthrie Russell.—Tenders are always called for.

Mr. Satyamurti.—Has the Railway Board ever considered the question of making these rails in India and training Indian apprentices in this class of work?

Sir Guthrie Russell.—Yes, but it is not practicable at present. The High Commissioner in England arranges for Indian apprentices to be given facilities in some of the workshops in England.

Mr. Satyamurti.—With your good offices, will it be possible to persuade those manufacturers to give our Indian boys better and still greater facilities as apprentices?

Sir Guthrie Russell.—Not as a *quid pro quo*, but the High Commissioner arranges for the training of Indian apprentices. Actually what happens is, every year we send home six apprentices, and the High Commissioner arranges for their training with the railways or locomotive manufacturers or carriage or wagon manufacturers or electrical companies.

Prof. Ranga.—These six are Indians, I suppose?

Sir Guthrie Russell.—They are statutory Indians, and they usually include one Anglo-Indian, at least if an Anglo-Indian has qualifications.

Mr. Satyamurti.—Have you got any latest figures, with regard to your purchases through the Indian Stores Department?

Sir Guthrie Russell.—They are contained in this red book, page 49.

Mr. Satyamurti.—As regards results of changes in rates and fares, we got a note last year. Are you watching the effect of changes in rates and fares? Have you come to any conclusions? Last year you were not definite.

Sir Guthrie Russell.—It still remains the same.

Mr. Satyamurti—I think this is a matter well worth pursuing. In a commercial department the most important thing to do is to watch the effect on earnings of fall in rates and freights.

Sir Guthrie Russell—The results will be dependent on trade conditions. Supposing you decrease your rates, you may get an increase in your traffic, and your earnings may be greater. On the face of it, you may argue that that increase is due to the fact that you reduced your rates. It may not be so, because some other circumstances may have affected the position and you would have got the increase without the reduction.

Mr. Satyamurti—We attach great importance to the Railway Board keeping a close watch, on the results of a change in rates and fares.

Sir Guthrie Russell—If you would like details of any particular experiment we can give you details but I warn you that the conclusions may not be correct.

Mr. Satyamurti—There is one other important matter, with regard to the sacrifice the railways are compelled to make. Last year, there was a long and informative note, giving us the estimated loss to the railways on account of the military concessions, strategic and so on. At that time we were told that the Government had made up their minds not to change the present arrangements, by which I think four crores are now debited to railway expenditure which ought to be debited to other items. Now, even after making allowance for all that, the railways do not pay their way?

Chairman—The next item on the programme is the Chairman's blood.

Mr. Satyamurti—This morning we had an interesting discussion as to the position of Mr. Staig *vis-a-vis* the Chief Commissioner. Now, this Review of the Finance Commissioner has been with us for two years. It is one of the most interesting and informative documents. Instead of that, we have now mere facts and figures, and some of the most interesting paragraphs have been taken out. We have got to compare the Financial Commissioner's Review of 1934-35, and if you will kindly refer to some of the paragraphs contained in that Review, you will see they contain some of his conclusions and recommendations, and both the Auditor-General and the Government have accepted in the main those conclusions and recommendations. But, from this year onwards, we have been supplied with mere facts and figures, and without some of these interesting paragraphs. We do not like that a few of the most important things should be taken out or a few paragraphs cut out altogether. We had several tables in that Book which gave us very interesting information. I, therefore, suggest to you, Mr. Chairman, if you have no serious objection, we should recommend to the Government to continue the practice of issuing a Review of the Appropriation Accounts as before by the Financial Commissioner.

Mr. Chairman—In the first place I think Mr. Satyamurti is somewhat exaggerating when he spoke of the excisions this year. First he remarked on paragraph 73 onwards, section VI of last year's Report,—so far as I understand the position, it was peculiar to that particular year owing to the fact that there was something peculiar which happened at that

time, namely we changed the rules regarding the depreciation fund. It was necessary to bring these changes in some manner or other to the notice of the Assembly, and this was thought to be the most convenient way of doing it. I understood myself that Sir P. R. Rau had no material to put into section 6, and that was the reason why it disappeared. The rest of the excisions for which I may be held responsible are paragraphs 4 to 12. I would draw the attention of the Committee to the fact that this is the Appropriation Accounts of Railways in India—Review. It is a Review of Appropriation Accounts of Railways in India. It is nothing else but that.

Again, I would like to remind the Committee what its statutory duties are. It is the duty of the Committee to satisfy itself that the money voted by the Assembly has been spent within the scope of the demand. The duty of the Committee is to consider the grants given by the Assembly in one particular year, and to report to the Assembly whether in their opinion their wishes have been carried out in the spending of these grants. That is the object of this Committee. We might have a Retrenchment Committee, we might have a general Finance Committee. But this is the Public Accounts Committee. It is possible under Legislative Rule 52 for this Committee also to examine any other matters referred to it by the Finance Department, but the main purpose of this Committee is to examine the Appropriation Accounts of a particular year and to report to the Assembly whether the money has been spent properly and in accordance with the wishes of the Assembly. There is however a slight extension which is not in the present rule. According to the present rule we have no statutory right to examine the receipts of railways at all. This has been brought to our notice so we are expanding this rule to make it clear that when the Government of India prescribed the preparation of commercial accounts for any department, which commercial accounts must of course take into consideration the receipts side, the whole of those commercialised accounts shall also come before this committee for scrutiny. We are also making it explicit that when the Auditor-General is asked to audit store accounts, which are not appropriation accounts, that this Committee shall have the duty of scrutinising those store accounts and the Auditor-General's report on them. I do think it is necessary for this Committee to recognise that it is a statutory body with statutory duties, that it is not a body which can go over the whole of the financial administration. My own personal opinion is that it has plenty to do if it sticks to its legitimate statutory task and can assure the legislature that the money voted in a particular year has been properly accounted for and has been spent in accordance with the intention of the legislature. To go back for a moment to these trading accounts, profit and loss statements and commercialised accounts generally, even in regard to those, the object of this Committee is to scrutinise the accounts of a particular year. I would agree that when accounts are put up in a commercial form, one does want a certain amount of comparison with recent other figures. That nobody could scrutinise the balance sheet of an ordinary joint stock company without comparing it with the last one is obvious, and it is our intention, as is shown in the Review, that certain recent past figures which will throw light on this particular year should be included. But this should not mean a general history of the Railways which the Review was rather

disposed to degenerate into. I would ask you in considering this matter to take into account Legislative Assembly Rule 52 (1) which lays down our statutory duties. I think that within the limit of our statutory duties, we have got much work to do and you will notice that most of my questions have been specifically directed to those appropriation points which I think very important

Mr. Satyamurti.—In all legislative bodies there are Committees, and the rules are supplemented by conventions, and in this Accounts Committee the convention has been laid down, and it is also contained in the preface remarks that “In dealing with the accounts and the Report, the Committee is entitled to offer criticisms and recommendations upon any matter discussed therein or in the Auditor-General’s comment thereon, whether such matter concerns the accounts of expenditure, voted or non voted, or those of receipts”. That is the answer to the Chairman’s first point.

Chairman.—I agree with every word of that

Mr. Satyamurti.—If that is so, I also want to say this, during the past two years, and I am quite familiar with the working of the Committee during these two years,—we have dealt with the position of the railway finance most exhaustively. Sir James Grigg himself gave the lead, and he was responsible for the suggestion that an expert ought to be imported to inquire into various matters, and last year when starting the examination of the Railway accounts, this is the first sentence he said—“Mr. Rao, the points on which the Committee would like to have your opinion are (1) the general financial position as set out in your Report including the measures taken to ameliorate...”. I think it is too late in the day to go back upon it, and for us to sit here as glorified auditors, pick out a few minus here or pluses there and do our work in a slipshod fashion. We are here to take up the bigger points, and so far as the railways are concerned, my feeling is that that the biggest problem with which this Committee and the Assembly and the country are faced is the finance of the Railways. As to the omission of certain important paragraphs in this year’s report, I still feel that if you will look at Mr. Rao’s previous report, you will find in it, matter of extreme value and interest, bearing on the general question of railway finance, and the Chairman’s view that we are only an Appropriation Committee, and therefore these paragraphs are unnecessary, does not appeal to me. My feeling is that our work would be considerably more valuable to the Assembly, if we had these paragraphs. I may add that we had a note circulated to us yesterday, I think, giving a summary of the approximate financial results of all Indian State-owned Railways for 1936-37. This gives all the figures up-to-date to enable us to deal with the question of railway finance. I, therefore, suggest to the Committee very respectfully that the matter is very important and we should follow the present practice until the whole thing is put into a melting pot, when the Federal Authority steps in. I do not like these drastic changes until then.

Chairman.—When Mr. Satyamurti says that we deliberately omitted some of the paragraphs I must correct him, and I must say that only some of these paragraphs were omitted at my instance. Secondly, I must draw his attention to the duties of the Auditor-General which are laid down in the statutory rules governing his duties. The Legislative Assembly

rule has to be modified from the 1st of April this year in order to accord with the phraseology of new statement of his duties. There has been no actual change in his duties but in the new Order in Council those duties have been slightly differently phrased, and it is necessary for these rules to be slightly re-drafted. The general effect is to expand its scope rather than to diminish it, but the Auditor-General himself, I speak subject to correction, has been recently scrutinising afresh in the light of the new Order in Council, which has been the occasion for looking over the matter again, what should or should not be found in an appropriation account, and I think I am right in saying that he has come to the conclusion that he and his department should exclude some of the things which have been appearing in their ordinary appropriation accounts. It will be necessary for him to publish other accounts which will include most of the ground which at present is covered by the excluded portion of the Appropriation Accounts. He hopes to be able to have that other volume of accounts ready in time to be in the hands of the Legislature when they are dealing with the budget. In my opinion that is the sort of information which should be in the possession of the Legislature itself and not only of a Committee of the Legislature. That is the material which the Legislature requires and on which it can form its opinion when it is voting the grants.

Sir Ernest Burdon.—You are entirely correct. Under the Act of 1935 we propose in future to have Appropriation Accounts, pure and simple, on the model of the Appropriation Accounts presented to the House of Commons and side by side to have a compilation which will be called the Finance Accounts. The Finance Accounts will contain a summary of the receipts and expenditure of the year followed by a considerable amount of detail and there will be comments of the Audit Department on the outturn of the year, that is the financial position. The Finance Accounts will include something new which has not hitherto been presented either to the Legislature or the Public Accounts Committee and that will be accounts of all the debt heads, suspense and remittance accounts and so on, so that in future the Legislature will get over the signature of the Auditor-General a much more comprehensive statement of the public accounts than it ever had before.

Mr. Satyamurti.—Will that be after the Federation?

Chairman.—It takes effect from 1st April 1937.

Mr. Satyamurti.—After the Federal Authority comes in, will your work continue as it is now?

Sir Ernest Burdon.—The report of the Auditor-General on the accounts of the Federal Authority is to be a published report.

Mr. Satyamurti.—Will it be presented to the Legislature?

Chairman.—It will be presented to the Government of the day whatever that Government may be. We definitely asked the Committee to report on the financial position of the railways but that does mean that this Committee has the power to expand its own scope.

Mr. Das.—I think there is not much difference between the Chairman's view and Mr. Satyamurti's. This Review is not meant for the Auditor-General. When the economic depression came and the railways

were trying to make both ends meet, we told the Railway Department 'You are our managing directors, give us some idea of the financial position of the railways' That is how this report was produced.

Sir Ernest Burdon—In one or two particulars, the Review of the Appropriation Accounts was produced at my instigation. I saw the Appropriation Accounts without any explanations except the explanations given in footnotes. The first example was set by Mr Macleod whom I persuaded to do it. He produced that admirable Review of the military accounts which has continued ever since. It however restricts itself entirely to matters of appropriation, audit and the exercise of financial control. Then I asked the Financial Commissioner, Sir P. R. Ray, to follow it up and he did the same. We cannot usefully frame a Director of Audit's report without considering that Review in so far as it contains matter which relates to appropriation and matters connected with it. The other part of the Review deals generally with the financial position of the Railways.

Mr. Satyamurti—Nobody is against the present review. We want the Financial Commissioner's Review regarding the railway finances, past, present and future. I personally want the responsibility for this statement to be borne by the Financial Commissioner for Railways.

Chairman—So far as it reflects on the general financial position of the year with which we are dealing I most certainly agree with you.

Mr. Satyamurti—We shall now take up the report of the Public Accounts Committee of last year. The problem therefore before the Railway Board and the Government is to secure an improvement of railway finance to the extent of three crores a year immediately for maintaining solvency on a strict accounting basis. You must get an improvement in the railway finances. Your solvency lies in earning 10 crores more.

Chairman—We do not believe in pious hopes; but we do believe in actual realisations.

Mr. Satyamurti—I want to know whether the Railway Board has got or is thinking of any suggestion in the direction in which we wanted this Expert Committee to give us results.

Sir Guthrie Russell—As I think I said last year, railway earnings depend very largely on commodity prices. If there is a rise we normally get increased earnings. This is not peculiar to India. In America the railways were in a very much worse position than the Indian railways have been, but with the general rise in commodity prices their earnings are increasing in exactly the same way as ours are. This is also true of British railways.

Mr. Satyamurti—Apart from the question of the rise and fall of the prices of commodities, I want to know whether the position now is the same as it was last year.

Sir Guthrie Russell—Not exactly the same because we are making further economies year by year. We have not yet got detailed figures but we will have them in the next two or three months. Last year we spent 47 lakhs less than we did the year before, and carried $5\frac{1}{2}$ crores more traffic.

Mr. Satyamurti.—Apart from that, I want to know whether you have made any other economies, except the carrying of increased traffic without an increased staff.

Sir Guthrie Russell.—It is difficult to give details but every aspect of railway working is being examined—every minor economy helps.

Prof. Ranga.—What about the suggested amalgamation of first and second class ?

Sir Guthrie Russell.—It is a difficult problem. We have discussed it but it is not a thing that can be done by a stroke of the pen.

Prof. Ranga.—You can save a lot there ?

Sir Guthrie Russell.—It is difficult to forecast what the result of this proposal will be. If we abolish the first class, it will probably be necessary to raise the second class fare and this may drive a certain number of second class passengers into the intermediate class. The A. B. Railway have actually abolished one of these classes and we are awaiting the results of this experiment. If this is successful it will help us to decide whether we should proceed with the suggestion.

Mr. Satyamurti.—Last year, the Financial Commissioner gave us a report which is embodied in our report on page 15 that if you imposed a graduated cut on all salaries above Rs. 50 a month, it will give you 165 lakhs a year. Is the Railway Board considering that matter at all ?

Sir Guthrie Russell.—We are not in a position to make a cut in the salary of certain people because they are protected by the Government of India Act of 1935. I do not think it would be fair to cut certain people's salary and leave the salary of other people uncut. But we are reducing the salaries of future entrants.

Mr. Satyamurti.—As a commercial department, don't you think it is the part of wisdom on the part of the Railway Board to so build up their department, as to be prepared for losses as well ?

Sir Guthrie Russell.—Let us be a commercial department by all means. In that case if we had a surplus of 5 crores of rupees we would probably pay to our shareholders, the Government of India, roughly 4 per cent. as we are doing at present and the rest we would put into our reserves to be utilised in our bad years. But we are not allowed to do this. I am not criticising the policy of the Government but that is the position. We are not allowed to be a commercial department.

Mr. Satyamurti.—We have made a present of many crores to you.

Sir Guthrie Russell.—But for the railways you would not have your customs revenue or your revenue from income-tax.

Prof. Ranga.—But the general tax-payer has got to look upon this as a general source of revenue.

Sir Guthrie Russell.—I am not objecting to that at all. But do not say that we are a commercial concern.

Prof. Ranga.—If there are to be profits, then the general shareholder comes up for his share.

Sir Guthrie Russell—They have got their ups and downs. In the good years they do not pay away all their profits, they keep some of them for their lean years.

Prof. Ranga.—We have created our general reserve fund out of which we have met our losses.

Sir Guthrie Russell—It was not a reserve fund for the railways. The fund was used to pay contributions to general revenues.

Prof. Ranga.—When we are ready to pay to you all your losses, we have a right to expect you not only to make a contribution to us but also to your own department in such a way as to ensure yourself of a profit always!

Sir Guthrie Russell—You may be an economist; I am not. But if you have got to be square every year, you must be allowed in prosperous years to put aside some money as any commercial firm does. Take the Insurance Companies or the Banks. What enormous reserves they hold. We are not a commercial concern in the real sense of the word.

Mr. Satyamurti—I would rather concentrate upon possible economies. You say there is nothing doing by retrenchment of staff. Are you thinking of any economies of amalgamation?

Sir Guthrie Russell.—Amalgamation is not possible just at the moment. We can't do anything till 1941. We have decided to abolish the Publicity Bureau in New York. This will give us a saving of one and a half lakhs. But our London office is a commercial concern and we must retain it. The High Commissioner's office is absolutely useless for the purpose of advertising, it is in the wrong part of London.

Mr. Satyamurti.—Are you thinking of any means of increasing your revenues?

Sir Guthrie Russell.—We are making experiments with third class. There are 350 crores of people in this country and if you get even 4 annas out of each, you make 4½ crores.

Mr. Satyamurti.—But you should increase the amenities for third class passengers, so that they may take more to travelling by train.

Sir Guthrie Russell.—We are making experiments at hundreds of places by reducing the fares in order to meet the competition with the buses.

Chairman.—One thing that the Government is doing is to bring in a Motor Vehicles Bill. It is a bigger problem than mere railways and therefore it would not be fair to put questions to Sir Guthrie Russell. This is a Government business.

Mr. Satyamurti.—I take it that you are considering the problem of rail-road competition.

Chairman.—We are split up between the Provincial Governments and the Central Government.

Mr. Satyamurti.—All the world over, transport is becoming more and more concentrated and co-ordinated, and you cannot really go on like this. As a Railway Board, your job is to put up business propositions.

Sir Guthrie Russell.—That is why we have not started road transport because so far it is not a business proposition.

Mr. Satyamurti.—At the same time, the buses that are being used now are a disgrace.

Sir Guthrie Russell.—There are more people killed in India in one year by these buses than are killed in twenty years by the railways.

Mr. Satyamurti.—So it comes to this. In the matter of economics, nothing is possible, nor is it possible to increase the revenue.

Sir Guthrie Russell.—We anticipate many minor economies.

Chairman.—There is a proposal and the permission of the Standing Finance Committee has been taken to spend about 27 lakhs to meet the rail-road competition.

Sir Guthrie Russell.—We might be able to get about half a crore more by job analysis.

Bhai Parmanand.—Does Mr. Satyamurti want to kill private enterprise?

Mr. Satyamurti.—No. But, I do not want my people to be killed by buses. I believe that transport can be run efficiently only by the State.

Mr. Das.—As the cost of living has gone down, don't you think there should be a cut in salaries?

Sir Mohammad Yakub.—I don't think so. The rates are very fluctuating. Besides, the general standard of living has gone up. The education of children has become most costly. So, I do not think that we can safely say that the cost of living has gone down.

Sir Guthrie Russell.—I agree with Sir Mohammad Yakub that the standard of living has gone up.

Chairman.—You would agree that the wages of your lower class labourers and people of that type are well above the market rate in India?

Sir Guthrie Russell.—That is so.

Mr. Satyamurti.—(To Bhai Parmanand) : What is your suggestion about the rail-road competition?

Bhai Parmanand.—My point is that competition is always healthy. You should not put any restrictions on the owners of the buses.

Chairman.—If you put the road buses on to the proper level of maintenance and safety, we will stand up to them and have free competition with them.

Sir Guthrie Russell.—In that case, we will take our chance. Given equal conditions, railways can compete.

Prof. Ranga.—You should issue coupon tickets to all people just as you are issuing to commercial travellers throughout the year. You now issue these concession tickets to ordinary people only during fairs, etc. I also suggest that you should attach a photo of the person in whose favour you issue ticket, so that the ticket may not be misused by others. I know

several cases where these tickets have been misused in the past because there was no means of checking in whose favour the ticket was issued. With all that the railways made good profit out of this system.

Sir Guthrie Russell.—There is swindling even in first and second class coupon tickets.

Prof. Ranga.—It is those higher class passengers that are more daring than the ordinary folk.

Chairman.—I think it would be well if you consult some of your Agents of Railways as to what they think of this proposal to issue coupon tickets all the year round to all travellers together with a photo attached to the tickets.

Sir Guthrie Russell.—I will consider that suggestion.

Prof. Ranga.—You should also issue zone tickets all the year round. There also you made a lot of profit.

Sir Guthrie Russell.—There also is swindling.

Prof. Ranga.—With all that you made a profit.

Mr. Satyamurti.—I desire to move the following proposition :

“ The Public Accounts Committee recommends to Government that no action should be taken by them, by way of implementing the recommendations of the Wedgwood Committee, until this Committee and the Standing Finance Committee on Railways have examined and pronounced their opinion on them, and until the Legislative Assembly has considered the Report and the opinions of these two Committees, and made its recommendations thereon.”

I will not go elaborately into the case, but will say one or two things. The first thing is that, last year when we discussed this, the idea was that one single expert ought to come. Secondly, we wanted that the Assembly should have an opportunity of discussing these recommendations, before Government take action. With regard to the actual recommendations, there are many things which go directly against the declared opinion of the Assembly. Take, for instance, this question of company-managed railways being acquired. The Assembly has always given its view, even from long before the Congress came in, in favour of State ownership and management. But to-day one of the recommendations of this Committee is against their acquirement when their contracts expire in the near future, so that they may be allowed to continue as company-managed. This is a recommendation which they want Government to take action immediately upon. Then with regard to questions of depreciation, reserve fund and contribution to revenues, etc., they go against the opinion of the Assembly. In 1924, we had the separation convention under which the railways agreed to pay a contribution to general revenues. They paid it for some years, and now they do not pay. To-day a resolution is before the Assembly under which Government recommend to us the writing off of arrears of contribution and depreciation fund. This Committee has recommended that, for the future, we cannot look upon the railways as a source of contribution to the central revenues. Now, I have not got the Niemeyer report with me here, but my recollection is that his idea was that, the moment the railways become solvent and begin to pay their contributions, the Government of India must pay to the Provinces a portion of

The income-tax receipts, ultimately amounting to half, but beginning with something or other. We must, therefore, have an opportunity of pronouncing our verdict on this recommendation of the Wedgwood Committee that the railways ought not to be looked upon as a source of contribution, and Government ought to have the benefit of the opinion of the Assembly on this important matter on which the whole railway finance has been based for the last so many years.

Then, again, this Committee was appointed for the purpose of suggesting means of increasing revenue. I find that they have suggested many items for increasing expenditure. As for increasing revenue, they have not made a single new suggestion which has not been made before. So I suggest that this report must first come to us. We have not yet had time to read and digest it, having received it only two or three days ago; and this is a grievance which I wish to bring to your notice, Mr. Chairman. But I suggest that the Public Accounts Committee and the Standing Finance Committee for Railways who also are interested in this matter should have an opportunity—as all parties are represented on these two Committees—of examining the question from all relevant points of view, after which the Assembly will consider this matter and make its recommendations. There is no question of time involved; during the Assembly session, the Committees can meet and, if Government want to take any immediate action before the end of the session, they can put up a recommendation before the Assembly. As I read the report, there is no immediate urgency about any action to be taken, and there is no difficulty about waiting for some time. I submit that, in view of the very important issues involved, which are in many respects against the declared opinion of the Assembly, these two Committees should give their verdict and the Assembly should then give its opinion for Government to accept or not to accept. I therefore move this resolution.

Sir Mohammad Yakub.—My own view is that there is nothing in this report which is an improvement on the Railway Retrenchment Committee's report, and there is nothing which cannot wait.

Chairman.—I should like to say something on this. First of all, the suggestion is that the Standing Finance Committee should deal with this. The functions of that Committee are to vet new items of expenditure. I do not know that there is any proposal that their functions should be enlarged, and I do not think they are a particularly appropriate body to do this. Secondly, it is true that under the Legislative Assembly rules the advice of this Committee was asked last year as to what steps should be taken in the circumstances in which the railways found themselves and this Committee made a recommendation. But it is no part of our statutory business to deal with reports of Government. The proposer says that no action should be taken. But some action has already been taken. For instance, the New York Office has been decided to be closed and I hope it will be closed as early as possible, whether the Assembly talk about it or not. If there are any items here which will lead to economy, I do not want them to be held up at all. In fact I arranged a meeting between myself and Sir Sultan Ahmad directly this report came out, and the only reason why I had that meeting was to make it clear that I was against the leisurely process in which a Government report is ordinarily considered. My attitude was that they should

takes up each of these points and come to definite conclusions upon them as quickly as possible, and Sir Sultan Ahmad and I arranged with the Railway Board that we should get monthly reports of the progress the Railway Board were making, whether they accepted a recommendation or turned it down. To remove any misapprehension I can say definitely that nothing that is written here and nothing that can be implemented as a consequence of what is written here can affect the distribution of central revenues to the Provinces.

The arrangement with the Provinces falls into two periods. There is the first five years and there is the second five years. Super-tax on companies is in any circumstances to remain with the Centre, income-tax on all Federal Government officials, even if they are stationed in the Provinces, is to come to the Centre permanently. All income-tax collected in centrally administered areas is to come to the Centre and remain central revenue. The rest of income-tax and the rest of super-tax is to form a pool. Of that pool eventually the Provinces have to get a half and we to retain a half. I do not know what the present budget figures would lead to for that pool,—something like 11 crores, I think. If the second period had come into operation we would have to give away $5\frac{1}{2}$ crores and keep $5\frac{1}{2}$. The Niemeyer arrangement is that during the first five years we should take what I have called the pool, which I am assuming now is 11 crores, and add on to it anything that railways should pay us under the 1924 convention. If 11 crores were added to the 3 crores that we will assume for present purposes we are to get from the railways this year, that comes to 14 crores. So far as that figure exceeds—13 crores,—in any year during those five years, that is to be distributed to the Provinces.

Mr. Satyamurti.—Supposing it does not exceed 13 crores, you need not pay.

Chairman.—If we get 2 crores for the railways that would bring us to 15 and we retain the lot.

Mr. Satyamurti.—The Wedgwood Committee contemplates their paying no contributions.

Chairman.—I am certainly not going to let the Provinces down. It is very unlikely,—although I am not committing Government in any way,—the Government during that five years will accept the recommendation as it stands.

Mr. Satyamurti.—Anyhow, the Assembly would like to have an opportunity of saying that Government ought not to accept it.

Chairman.—I have explained this to you in order to show how the Niemeyer Order works, and I think you may take it as certain that Government will see that nothing that is contained here will prevent the Provinces from getting money which is due to them.

Then there is another thing. You should consider the situation rather in the light of what the constitution is going to be when it is a properly representative Government. When the Cabinet itself is, to all intents and purposes, a Committee of the Assembly, it is never going to agree not to do anything until it has consulted its Legislature. And it

is an extraordinarily bad precedent that you will be making for the constitutional Government that you hope to get, that your Cabinet itself shall not carry out the executive functions of Government.

Mr. Satyamurti.—The answer is that that Government can be kicked out the next day, whereas we cannot do anything to you.

Chairman.—Your words will be quoted against you when you have a constitutional Government.

Mr. Satyamurti.—When I am a constitutional Government, I may be kicked out.

Prof. Ranga.—This resolution is not binding on the Government to come but on the present Government.

Chairman.—However, although I cannot subscribe to the present resolution, as it is in some respects wrong and in other respects unwise, inasmuch as this report has been put into your hands and inasmuch as you were concerned in initiating it, I shall have no objection to an extra meeting of this Committee shortly after our meetings to consider this report. This report did to a large extent originate from certain suggestion which we made and it is due to you to give you an opportunity to express your views.

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(FORM No. 80.)

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF 1936-37

Volume I—Report

Part II—Railways



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COMPOSITION OF THE COMMITTEE ON PUBLIC ACCOUNTS, 1938.

Chairman.

1. The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I. . . Finance Member.

Elected Members.

Date of Election

2. Mr. UMAR ALY SHAH . . . 25th February 1938.
3. Mr. B. DAS . . . 25th February 1938.
4. Sirdar JOGENDRA SINGH . . . 25th February 1938
5. Professor N. G. RANGA . . . 25th February 1938.
6. Mr. S. SATYAMURTI . . . 25th February 1938
7. Bhai PARMA NAND . . . 25th February 1938.
8. Captain Sardar Sir SHER MOHAMMED KHAN, C.I.E., 25th February 1938.
M.B.E.
9. Mr. J. RAMSAY SCOTT . . . 25th February 1938.

Nominated Members.

Date of nomination.

10. Dr. R. D. DALAL, C.I.E. . . . 17th March 1938.
11. Khan Bahadur SHAIKH FAZL-I-HAQ PIRACHA . . 17th March 1938.
12. Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.. 17th March 1938.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

PART II —RAILWAY ACCOUNTS.

Financial results of the year—The following table compares the original and the revised estimates with the actual expenditure incurred during the year under report.—

				(Lakhs of Rupees.)		
				Budget	Revised.	Actual
(1) Traffic receipts (less refunds)	..	.	..	91.25	95.00	90.19
(2) Miscellaneous receipts	.		.	2.05	1.11	1.15
(3) Working expenses	.	.	.	61.53	63.90	63.38
(4) Miscellaneous expenditure	..		.	1.10	1.26	1.21
(5) Interest charges	..	.	..	31.11	30.83	30.81
(6) Surplus (+) or Deficit (—)	..	..	..	— 3.44	+ 1.5	+ 1.21
(7) Contributions to general revenues	.	..	..	..	..	..
(8) Payments to (+) or withdrawals from Reserve	.		.	.	..	..
(9) Loans from (+) or repayments to (—) Depreciation Reserve Fund				+ 3.44	— 1.5	— 1.21

The year's working thus resulted in a surplus of Rs. 121 lakhs, the first since 1930-31. The first charge against this surplus according to the Convention of 1924 was the repayment of the loan taken from the Depreciation Fund in previous years to meet deficits and no contribution was available to general revenues.

2. *Excesses over voted grants.*—There were five excesses over voted grants as compared with four in the previous year.—

Grant.		Final grant	Actual expenditure.	Excess
		Rs.	Rs.	Rs.
1	Revenue—Railway Board	8,80,000	8,90,213	15,213
4.	Revenue—Refunds	15,35,000	18,60,032	3,25,032
5.	Revenue—Payments to Indian States and Companies	3,48,68,000	3,52,76,927	4,08,927
8.	D.—Revenue—Working expenses—Maintenance of Ferry Steamers and Harbours	28,75,000	28,80,161	5,161
9 A.	Repayments to Depreciation Reserve Fund	..	1,20,58,909	1,20,58,909

Brief explanations of these excesses are given below—

Grant No. 1.—The excess was due to additional printing charges and to payment of house rent allowances to extra temporary staff engaged during the year.

Grant No. 4.—The excess was largely due to more refunds consequent on increase in earnings. It was also partly due to certain items of refunds having been wrongly classified in the budget as reduction of earnings.

Grant No. 5.—The excess was due to the improvement in earnings which resulted in an increase in the net earnings payable to worked lines, companies and Indian States.

Grant No. 6D.—The small excess was due to more expenditure on the Bengal-Nagpur Railway on account of the strike.

Grant No. 9A.—The excess was the result of improvement in earnings which converted the original estimated deficit of Rs. 3,44 lakhs into a surplus of Rs. 1,21 lakhs. A vote of the Legislature for the transfer of this surplus to the Depreciation Reserve Fund was not obtained in the belief that it was not constitutionally necessary.

We recommend that the necessary excess grants be voted by the Legislative Assembly.

3 *Minutes of Proceedings.*—We append the minutes of our proceedings which we desire, as usual, to be regarded as a part of our report. In the following paragraphs we shall refer to only some of the more important questions considered in the course of our discussions.

4. *Accuracy of budgeting and control of expenditure*—The accounts of the year show a total saving of Rs 1,36 lakhs or 1·33 per cent. under revenue expenditure (exclusive of withdrawals from and repayments to Depreciation Reserve Fund) and a saving of Rs. 2,10 lakhs or 18·39 per cent. under capital expenditure. This compares as follows with the results achieved in the four preceding years :—

Year.				(Lakhs of Rupees)		
				Final grant and appropriation.	Savings (—) or Excess (+).	Percentage of column (3) to (2).
1				2	3	4
<i>Expenditure charged to revenue (excluding appropriations to and from Depreciation Reserve Fund).</i>						
1932-33	..	..	..	97,36	—37	·38
1933-34	..	..	..	96,81	—4	·04
1934-35	..	..	..	1,02,48	+5	·05
1935-36	..	..	..	1,02,85	—57	·56
1936-37	..	..	..	1,02,51	—136	1·33
<i>Expenditure charged to capital.</i>						
1932-33	..	..	..	19,55	—266	13·60
1933-34	..	..	..	17,34	—303	17·42
1934-35	..	..	..	19,25	—484	25·14
1935-36	..	..	..	15,02	—324	21·57
1936-37	..	..	..	11,42	—210	18·39

The position with regard to capital grants was better than that of previous years but still left considerable room for improvement. However this was the first year in which the procedure of lump sum cuts was introduced and we are gratified to learn that in 1937-38 very much more accurate results were obtained,

a fact which clearly shows the usefulness of the procedure adopted. However in view of the practical difficulties inherent in a system which involves the execution and financing of capital works on a year-to-year basis and the lapsing of provision on the 31st March of each year, we suggest that the Auditor General and the Financial Commissioner should examine the suitability of introducing for railway capital expenditure procedure providing for a development fund on the lines of that recently adopted for the Posts and Telegraphs Department and for the Legislature to be informed in advance so far as may be practicable, not only of the full programme of the work but also of the progress to be made from year to year, and should let the Committee have a report for consideration next year.

5 *Revision of Railway Codes.*—We were glad to learn of the progress made in the work of revising the Railway Codes, but from the criticism of the Auditor General in relation to these regulations we are of the opinion that there is scope for considerable curtailment without loss of protection to individuals or of reasonable uniformity in practice. We therefore suggest that during the further stages of the work the railway authorities should consider the cutting down of the Codes to the maximum possible extent consistent with efficiency and the interests of the staff.

6 *Ticketless Travel*—We learned from the Chief Commissioner of the measures taken to check the practice of ticketless travel. We appreciate the difficulties involved in dealing with this problem especially those arising at unfenced wayside stations with no separate checking staff, but we hope that the administrative measures now being adopted will be unremittingly pursued and intensified.

7. *Railway Accounts Department.*—With reference to the changes contemplated in the organisation of the Railway Accounts Department, the Committee were informed that the Auditor General saw objection to the scheme being put into force as a whole without preliminary trial, particularly as he was still not convinced that the result would not be a weakening of financial control. At the same time he realised that there was a body of expert opinion in favour of the scheme and that the difference between the two views could not be resolved without some form of experiment. He had therefore concurred in the arrangement being tried experimentally without prejudice however to any of the objections which he had previously entertained.

We agree, one member however dissenting, with the Auditor General that the new arrangement may be tried out subject to the following conditions :—

- (a) Government should not extend the experiment beyond two railways without further reference to the Committee.
- (b) It should be made clear that the Chief Accounts Officer's functions include the tendering of financial advice to the General Manager and are not limited to technical questions of accounting. We suggest that his designation should be changed to Financial Adviser and Chief Accounts Officer.
- (c) It should be made clear beyond the possibility of misunderstanding that the Chief Accounts Officer will have access to the Financial

Commissioner in all important matters on which he is in disagreement with the General Manager not only as regards accounting regularity but also on questions of financial prudence.

(d) That the Auditor General should keep in touch with the experiment and make a report to Government as early as possible on the working of the experiment and that Government should lay this report together with their conclusions upon it before the Public Accounts Committee.

(e) That the Financial Commissioner should keep in close personal touch with the experiment and report at once to Government should he see any signs of weakened financial control.

8. *Revised estimates for works.*—We were struck by the large variations in the cost of the construction of works carried out some years after the date of preparation and sanction of the estimates, mainly due to the fall in prices that had occurred during that period. We consider that when a work is in progress for a number of years and it becomes clear that there is going to be a substantial reduction in the cost, revised estimates should be prepared and a fresh sanction obtained, and we should be glad if the Director of Railway Audit would examine this question and let us have a report next year.

9. *Acknowledgments.*—We wish to record our appreciation of the excellence of the Chief Commissioner's Review and the ready assistance he has rendered to us in our task. "We also wish to thank the Auditor General for the very great assistance which we have received from him throughout our proceedings.

P. J. GRIGG.

UMAR ALY SHAH.

B. DAS.

JOGENDRA SINGH.

N. G. RANGA.

S. SATYAMURTI.

PARMA NAND.

SHER MOHAMMED KHAN.

J. RAMSAY SCOTT

R. D. DALAL.

FAZL-I-HAQ PIRACHA.

ABDUL HAMID.

H. A. C. GILL,

Secretary.

The 13th August, 1938.

Proceedings of the first meeting of the Public Accounts Committee held on
Thursday, the 14th July 1938, at 11 a.m.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. UMAR ALY SHAH,	}	<i>Members.</i>
Mr. B. DAS		
Sirdar JOGENDRA SINGH,		
Prof. N. G. RANGA,		
Mr S. SATYAMURTI,		
BHAI PARMA NAND,		
Captain Sardar Sir SHER MOHAMMED KHAN,		
C.I.E., M.B.E.		
Mr. J. RAMSAY SCOTT	}	<i>Witnesses.</i>
Dr. R. D. DALAL, C.I.E.		
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.		
Mr. L. WILSON, Chief Commissioner, Railways,		
Mr. B. M. STAIG, C.S.I., I.C.S., Financial Com-	}	
missioner, Railways,		
Mr. T. S. SANKARA AIYAR, Director of Finance,		
Railway Board,	}	
Mr. V. S. SUNDARAM, Controller of Railway Ac-		
counts.		
Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Audi-		
tor General of India.		

Mr. T. K. RAJAGOPALAN, Director of Railway
Audit.

The Hon'ble Sir JOHN NIXON, K.C.I.E., C.S.I.,
I.C.S., Finance Secretary.

With regard to the publication of the proceedings, the Committee authorised the issue of summaries under the direction of the Chairman.

2. The Committee first considered the statement (Appendix I) showing action taken or proposed to be taken on the recommendations made by them in previous years.

3. *Delay in the submission of completion reports.*—The report by the Railway Board on the effect of their orders regarding the prompt submission of completion reports (Appendix III) was considered, and the Committee noted with satisfaction the earlier closing of accounts brought about by the adoption of the procedure now enforced.

4. *Revision of Railway Codes.*—In connection with the memorandum on the compilation of State Railway Codes (Appendix IV) furnished by the Railway Board, the size of the Codes elicited criticism. The Auditor General

stated that the Director of Railway Audit was pointing out that there was a tendency for over-elaboration and was suggesting that the necessity for certain sections should be examined. The Chief Commissioner agreed that the increase in the number of regulations slowed down the administration, and from the point of view of efficiency they should be restricted to essentials. Some members observed that simplification of the regulations might tend to place too much power in the hands of subordinate authorities and that as the greater part of the work of compilation had now been completed it might be better to leave them in their present form. It was explained that simplification would not in any way prejudice the interests of the staff. The work done up to now had been useful in that the relevant material had been collected in one place and there was now an excellent opportunity to cut out all unnecessary sections. On this the Committee agreed to recommend that during the further stages of the work the drafting authority should consider the cutting down of the Codes to the maximum possible extent consistent with efficiency and the interests of the staff.

5. *Auction sales on railways.*—With regard to the note on the working of the instructions issued by the Railway Board regarding auction sales on railways (Appendix V), it was explained that insurance companies were not prepared to undertake the risk of insolvency of auctioneers, and that to require the firms to sign supplementary agreements providing for payment within a week and for the amounts realised to be held as a trust fund was all that was practicable. It was not improbable that the imposition of more stringent conditions would materially reduce the prices realised and on business principles the railways should themselves carry the slight risk involved. As, however, it was understood that the G. I. P. practice secured the payment of the price to the railway before the material sold were received, the Railway Board were making enquiries to ascertain how the difficulties apprehended in following this procedure on the E. I. R. were surmounted on the G. I. P. and would consider the matter finally in the light of the information received. The result would be reported to the Committee in due course.

6 *Action taken on the Pope Committee's Report.*—In connection with the report on the subject (Appendix VI), it was explained that, by the methods of pooling adopted, a more intensive use both of locomotives and of coaching stock was made possible, and that a reduction in repair sheds was being tried in certain sections as an experiment.

The Committee were informed that the replies received from all broad gauge railways reviewing the position with regard to uneconomical wagons were receiving the Railway Board's attention and an investigation into the relative cost of maintaining different types of wagons was being carried out. The Committee desired that a report should be submitted as soon as the review was completed.

As regards ticketless travel, the Chief Commissioner stated that the appointment of additional ticket collecting staff and intensive checking had an immediate effect, and that every effort was being made within the existing law to reduce the possibility of evasion. The Committee considered that the action taken was salutary, and expressed the hope that administrative measures would be pursued and intensified.

7. *Saloons maintained for the use of railway officers.*—The note by the Railway Board (Appendix VII) was considered and the Chief Commissioner stated that no saloons for the use of railway officers were being built in the current year and that only ordinary repairs were being carried out to those already in existence. The Committee stressed their view that the number of saloons should be kept down to the minimum required for the efficient despatch of railway work and desired that a further report should be submitted next year.

8. *Free passes for railway officials.*—In considering the note of the Railway Board (Appendix VIII) comment was made that, though there had been a considerable decrease in the number of free passes issued as compared with the year 1932-33, there had been an increase in certain categories during 1937 despite the introduction of the revised rules. It was, however, pointed out that the figures for 1936-37 were not strictly comparable, and the Committee desired to have for comparison a further return next year.

9. *Lump sum cuts made in the estimates by the Railway Board.*—In considering the note by the Railway Board on the results on the working of lump sum cuts in the estimates of Capital and Depreciation Fund expenditure (Appendix IX), the increasing improvement due to the application of lump sum cuts was noted by the Committee, and it was stated that the system was now applied by the Railway Administrations themselves and an additional cut, where necessary, was made by the Financial Commissioner.

The Committee adjourned at 1-15 p.m.

Proceedings of the second meeting of the Public Accounts Committee held on
Thursday, the 14th July 1938, at 2-30 p.m.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. UMAR ALY SHAH, Mr. B. DAS, Sirdar JOGENDRA SINGH, Prof. N. G. RANGA, Mr. S. SATYAMURTI, BHAI PARMA NAND, Captain Sardar Sir SHEER MOHAMMED KHAN, C.I.E., M.B.E., Mr. J. RAMSAY SCOTT, Dr. R. D. DALAL, C.I.E., Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.,	}	Members.
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Mr. L. WILSON, Chief Commissioner, Railways, Mr. B. M. STAIG, C.S.I., I.C.S., Financial Com- missioner, Railways, Mr. T. S. SANKARA AIYAR, Director of Finance, Railway Board. Mr. V. S. SUNDARAM, Controller of Railway Ac- counts.	}	Witnesses.
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Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Audi-
tor General of India.

Mr. T. K. RAJAGOPALAN, Director of Railway
Audit.

The Hon'ble Sir JOHN NIXON, K.C.I.E., C.S.I.,
I.C.S., Finance Secretary.

10. The Committee continued consideration of the statement showing action taken or proposed to be taken on previous year's recommendations.

11. *Expenditure on renewals and replacements of worked lines for which no depreciation fund is maintained.*—In connection with the note submitted by the Railway Board on this subject (Appendix X), the Financial Commissioner stated that the Director of Railway Audit had raised afresh the question whether the expenditure on renewals and replacements should be charged to depreciation reserves or to working expenses. This was being considered. He was personally inclined to the view that the more correct procedure would be to debit this expenditure to working expenses.

12 *Budgeting for depreciation and interest charges to avoid large variations between estimates and actuals.*—In connection with the note on the subject (Appendix XI), it was explained that the adoption of the suggestion that interest charges should be calculated on the previous and not on the current year's capital outlay would not necessarily secure correspondence between the budget estimates and the actuals and would moreover cause a loss to general revenues. The Committee agreed that for a commercial department it was

desirable that the amounts adjusted should relate to the year of account but suggested that the Auditor General might look into the accounting arrangements so as to avoid having large variations between the actual adjustment for transfers to and from the depreciation reserve fund and the estimates for these transfers. The Auditor General undertook to have this done.

13 *Tatanagar Workshops*.—The Committee considered the note furnished by the Railway Board (Appendix XII) and desired that a further report should be submitted next year on the progress being made in utilising the Tatanagar Workshops to their full capacity

14 *Financial Control*.—With reference to the instructions issued by the Railway Board regarding control over expenditure, a discussion was started on the suggestion that, as recommended by the Wedgewood Committee, the experiment might be tried on two selected railways of placing the Chief Accounts Officers under the control of the Agents of Railways instead of under the Financial Commissioner, Railways. The Auditor General stated that while on principle he had always been against transferring the control of the Chief Accounts Officers from the Financial Commissioner to the Agents of Railways as railways are not only commercial concerns but undertakings subject to the control of the Legislature, he had agreed after a conference between the Chief Commissioner, Financial Commissioner and the Auditor General, that with the constitution of the Federal Railway Authority "on business principles" there would be no objection to this change from the point of view of audit; he considered further that it was justifiable to try the experiment in advance on two railways and that there were definite advantages to be gained from adopting this course. Some members were opposed to this course of action, and it was agreed that after the memorandum on the subject had been circulated to members the matter should be discussed further at the next meeting.

15 *Suburban Electrification*.—After considering the report by the Railway Board on the financial results of the Electrification Schemes of the South Indian, G. I. P. and B. B. and C. I. Railways (Appendix XIII), the Committee agreed that the results showed considerable improvement and that for the future the special reports on this subject might be discontinued on the understanding that, if any marked deterioration occurred at a later stage, the Director of Railway Audit would report the matter.

COMMENTS OF THE AUDITOR GENERAL ON THE APPROPRIATION ACCOUNTS
(APPENDIX II).

16. *Surplus for the year 1936-37*.—It was explained that while the allocation of the railway surplus with effect from the year 1937-38 was determined by the Moratorium resolution passed by the Legislature in its Simla session, 1937, the surplus of 1936-37 was allocable under the Convention of 1924 and the first charge against it was the repayment of the debt to the Depreciation Fund, to which it had accordingly been devoted. The Government of India had been originally advised that a vote of the Legislature was not necessary to cover this transaction, but they had now agreed with the Auditor General that an appropriation was necessary. The Committee agreed to recommend an excess vote to regularise this appropriation.

17. *Allocation of expenditure on rolling stock.*—It was explained that a settlement had been reached in this matter with four Company-managed railways and that orders to them were about to issue. In regard to the B. B. & C. I. railway, certain points were still under discussion. The B and N. W. R. held that the proposed convention was generally speaking in accordance with their existing practice but their attitude was that if in any particular case the application of the convention gave a result inconsistent with their contract the latter must prevail.

CHIEF COMMISSIONER'S REVIEW OF THE APPROPRIATION ACCOUNTS

18. *Paragraph 8.*—The opinion was expressed by a member that with the coming of better times the railways might be inclined to incur excessive capital expenditure. It was explained that the capital expenditure now being incurred on open lines was confined to what was essential to the maintenance of efficiency, and there was no ground for apprehending extravagance.

19. *Paragraph 11—Changes in Classification.*—It was explained that in consequence of audit pointing out the rapid increase that was taking place in the capital at charge, a change had been made, the effect of which was that when an asset was replaced by a like asset the full cost of replacement and not merely the original cost was charged to the depreciation fund. This change had been made in consultation with the Public Accounts Committee.

20. *Paragraphs 13 and 14—Traffic Receipts.*—The Committee noted that there had been an improvement as compared with the previous year under each of the groups into which earnings were divided except passenger earnings. Goods earnings showed a marked improvement. It was pointed out by the Chief Commissioner that the deterioration in passenger earnings showed the effect of the competition of road traffic, to meet which increased facilities had been provided and fares reduced. He added that goods earnings would be adversely affected if long-distance goods traffic, to carry which the railways were fully equipped, was allowed to go to the roads.

21. *Paragraph 23.*—The Committee commented on the saving of about 71½ lakhs under Grant 6A.—Maintenance of Structural Works. It was explained that this was largely due to the important change in classification of the expenditure on replacements and renewals of assets which was formerly debited to working expenses but which, with the concurrence of the Public Accounts Committee, had been transferred to the depreciation fund from the 1st April 1936.

22. *Paragraph 38—Works expenditure not charged to revenue.*—In commenting on the total saving of more than 2 crores under Grants Nos. 11 and 12, the Committee considered that the Financial Commissioner in consultation with the Auditor General should examine the question whether capital expenditure should be financed from a fund so that the construction of works, which was continuous, should not be restricted by the arbitrary divisions of the financial year, provided arrangements can be made for the Legislature to be kept in touch not only with the full programme of work but also with the progress made in it from year to year.

The Committee adjourned at 5-30 p.m.

Proceedings of the third meeting of the Public Accounts Committee held on
Friday, the 15th July 1938, at 11 a.m.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I.,	Finance Member, <i>Chairman.</i>
Mr. UMAR ALY SHAH, Mr. B. DAS, Sirdar JOGENDRA SINGH, Prof. N. G. RANGA, Mr. S SATYAMURTI, BHAI PARMA NAND, Captain Sardar Sir SHER MOHAMMED KHAN, C.I.E., M.B.E., Mr. J. RAMSAY SCOTT, Dr. R. D. DALAL, C.I.E., Khan Bahadur SHAIKH FAZL-I-HAQ PIRACHA, Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	} <i>Members.</i>
Mr. L. WILSON, Chief Commissioner, Railways, Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner, Railways, Mr. T. S. SANKARA ARIYAR, Director of Finance, Railway Board. Mr. V. S. SUNDARAM, Controller of Railway Accounts.	
Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General. Mr. T. K. RAJAGOPALAN, Director of Railway Audit. The Hon'ble Sir JOHN NIXON, K.C.I.E., C.S.I., I.C.S., Finance Secretary.	} <i>Witnesses.</i>

23. The Committee first took into consideration the memorandum supplied by the Railway Board (Appendix XIV) on the proposal to place the railways' account staff under the General Managers on two selected railways. The Chief Commissioner explained that this was the system on the Company-managed Railways where the financial control was certainly not worse and was probably better than that on the State-managed Railways, and that its adoption on the State-managed Railways had been recommended by a series of committees and experts. The Auditor General stated that, while he could not support a wholesale change to the proposed system at once, taking into consideration the weight of opinion in favour of the proposal he considered that to make the experiment on two selected railways was justified, and as a method of reconciling the two opposing views it would be useful both to the railway administration and to audit. Considerable discussion ensued during which the view was expressed that the present system which had been approved by the Legislative Assembly in 1925 under which the accounting staff was under the Financial Commissioner and not under the Agent provided a

valuable independent check, and that the proposed change would weaken the financial control exercised in the interest of the taxpayer. Against this it was pointed out that there would be no slackening of financial control in that the Railway Board would hold the General Managers really responsible for financial control in a way that was now impossible when the Chief Accounts Officer was responsible not to the General Manager but to an outside authority. The advantages of a single co-ordinated and harmonious administration with the Chief Accounts Officer as the Adviser in financial matters of the General Manager were stressed and it was explained that the Chief Accounts Officer would continue to have the right of access through the General Manager to the Financial Commissioner, and that any substantial financial proposal in regard to which the General Manager and the Chief Accounts Officer were not in agreement, would be placed before the Financial Commissioner with the views of the Chief Accounts Officer in his own language. On the understanding that this did not commit them in any way on the general question, the Committee finally agreed that the proposed experiment might be tried on two railways subject to certain conditions to be set out in the Report.

24. The Committee then continued their consideration of the Chief Commissioner's Review of the Appropriation Accounts of Railways in India.

25. *Paragraphs 42, 43, 44 and 45—Grant No. 12—Open Line Works*—A member of the Committee drew attention to the savings under "Track Renewals", "Other Engineering and Structural Works" and "Rolling Stocks", to the extent of about Rs. $\frac{3}{4}$ crore under each, which was stated to be chiefly due to postponement or curtailment of schemes as a result of further examination after the budget or for such reasons as the late delivery of materials or the modifications of programmes due to a change in prices. It was explained that the system of lump sum cut had been introduced for the first time only in 1936-37 and that the occurrence of such large savings had been obviated in the following year when a larger cut has been made.

26. *Paragraph 47—Variations between the original and modified appropriations in expenditure on Open Line Capital Works*.—With reference to Annexure D to the Appropriation Accounts it was noted that there were 18 works for which specific provision had not been made in the budget, and though the actual expenditure incurred during the year on these works, which were mostly either nearing completion or had already been completed, was only about $\frac{1}{4}$ lakh, the Committee considered that there was room for improvement in this respect.

As regards the works for which provision had been made, the Committee noted that 25½ lakhs had lapsed in two cases of relaying track a fact which was to be attributed to premature budgeting. It was also noted that modifications in the scope of work during the course of the year were partly responsible for savings in three cases, and the Committee agreed that it was a justifiable conclusion that greater conservatism should be shown in framing the budget provision for schemes the details of which at that time had not been completely determined.

27. *Paragraph 48—Works completed during the year*.—A member of the Committee drew attention to the relaying of 304.97 miles on the Itarsi-Agra Section of the G. I. P. Railway where the expenditure fell short of the

estimate to the extent of 26 per cent. It was explained that this was due to the fall in prices since the estimate for the entire project had been drawn up in 1929. The Committee considered that a revised estimate should be framed as soon as it became clear that there was going to be a substantial reduction in the cost of construction, and they desired that the Director of Railway Audit should examine this question and the advisability of framing separate estimates for sections of work that would extend over several years, before next year.

28. *Paragraph 58—Capital Statements.*—It was explained that the statement which gave the total of all capital heads showed the book value without indication of the real value of the assets. In discussion it was pointed out by the Chairman that it was this book value and not an estimate of the actual value of the assets to be taken over that would be the basis of the determination of the debt of the Federal Railway Authority to the Government of India under section 187 of the Government of India Act, 1935.

The Committee adjourned at 12-45 p.m.

Proceedings of the fourth meeting of the Public Accounts Committee held on Friday, the 15th July 1938, at 2-15 p.m.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I.,	Finance Member, <i>Chairman.</i>
Mr. UMAR ALY SHAH, Mr. B. DAS, Prof. N. G. RANGA, Mr. S. SATYAMURTI, BHAJ PARMA NAND, Captain Sardar Sir SHER MOHAMMED KHAN, C.I.E., M.B.E., Mr. J. RAMSAY SCOTT, Dr. R. D. DALAL, C.I.E., Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA, Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	} <i>Members.</i>
Mr. L. WILSON, Chief Commissioner, Railways, Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner, Railways, Mr. T. S. SANKARA AYYAR, Director of Finance, Railway Department. Mr. V. S. SUNDARAM, Controller of Railway Accounts, Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India. Mr. T. K. RAJAGOPALAN, Director of Railway Audit.	
The Hon'ble Sir JOHN NIXON, K.C.I.E., C.S.I., I.C.S., Finance Secretary.	} <i>Witnesses.</i>

29. *Annexure B in the Chief Commissioner's Review.*—With reference to the defects in budgeting under Grant No. 6 -E.—Working Expenses—Expenses of the Traffic Department, it was admitted that the Railway Board's estimate had proved to be too low owing to insufficient collaboration between the authorities concerned, and it was stated that the matter had recently been examined in detail in consultation with the Director of Railway Audit and that special instructions were now being issued to railways to remove this defect in future.

As regards item (19), the over-estimates of the provision in the Stores Department under the heads "Indian Purchases" and "Issues", it was explained that meticulous accuracy in budgeting for stores was impossible but that a scheme for framing more accurate estimates in the stores budget had been prepared and circulated to three selected railways for examination and opinion.

30. *Annexures C and D.*—The statement showing percentages of ordinary working expenses to earnings in respect of the State-owned Railways for the years 1929-30 to 1936-37 was examined. The Committee, while realising that it was not possible to draw comparison between different railways working under different conditions and handling different classes of traffic, considered that the

figures supplied a useful comparison in respect of each particular railway from year to year. They considered that an increase in the percentage of working expenses to earnings called for examination and desired that the Chief Commissioner should consider the possibility of including in his review explanations of variations in the ratio of working expenses to earnings which were not apparent on the face of the statement.

31. *Annexure E—Stores Balances*—A member of the Committee drew attention to the increase in Stores of the North-Western—Commercial from Rs. 1,52 lakhs in 1935-36 to Rs. 1,79, lakhs in 1936-37, and the Committee desired that the reason for this increase should be ascertained and reported to them before next year.

Railway Audit Report.

32. *Paragraph 2—Indents in excess of advance allotment approved by the Standing Finance Committee*—It was explained that owing to the difficulties experienced that year in estimating for imported and other stores the full information was not obtained till it was too late to obtain the approval of the Standing Finance Committee for the excess required, so that one of the steps normally taken had had to be omitted and the action taken was subsequently regularised by the vote of the Legislature. The whole question of the advance grant for stores was under investigation by the Financial Commissioner at the suggestion of the Standing Finance Committee.

33. *Paragraph 11 (v)—Contribution to Provident Fund and Gratuities*—It was noted that the position in regard to budgeting for contributions to provident funds had considerably improved but that the budgeting of the original grant for gratuities required greater attention.

34. *Paragraph 23—Payment to contractors on arbitration*—It was stated that the question of the precautions to be adopted for the future and the responsibility of the officers concerned in this case was being investigated and a report would be submitted next year.

35. *Paragraph 34—Loss through forfeiture of lease of a colliery*—It was explained that though the statement of coal raisings had been sent to the lessor company, no bill was submitted despite the Administration's request that this should be done, and instead the company sent a notice terminating the lease and instituted a case for possession. Though the company was decreed possession by the lower court, the appellate court set aside this order and thus vindicated the action of the Railway Administration. The Committee agreed that if the legal implications had been fully appreciated the loss incurred on account of the litigation could have been prevented, and that the action taken to prevent recurrence was adequate.

Appropriation Accounts.

36. *Page 23—Grant No. 6-B.*—With reference to the variation between the appropriation and the actual expenditure due to the adjustment on account of the loss on working railway collieries having been less than anticipated, the Committee suggested that this loss might be adjusted on the basis of the costs of the previous year and desired that this should be examined before next year.

The Committee adjourned at 5 p.m.

Proceedings of the fifth meeting of the Public Accounts Committee held on Monday, the 18th July 1938, at 11 a.m.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S I. Finance Member,
Chairman.

Mr. UMAR ALY SHAH,	}	<i>Members.</i>
Mr. B. DAS,		
Sirdar JOGENDRA SINGH,		
Prof. N. G. RANGA,		
Mr. S. SATYAMURTI,		
BHAI PARMA NAND,		
Captain Sardar Sir SHER MOHAMMED KHAN,	}	<i>Witnesses.</i>
C.I.E., M.B.E.,		
Mr. J. RAMSAY SCOTT,		
Dr. R. D. DALAL, C.I.E.,		
Khan Bahadur Shaikh FAZL-I-HAQ, Piracha		
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.		
Mr. L. WILSON, Chief Commissioner, Railways,	}	<i>Witnesses.</i>
Mr. B. M. STAIG, C.S I , I.C.S , Financial Com-		
missioner, Railways,		
Mr. T. S. SANKARA AIYAR, Director of Finance,		
Railway Department,		
Mr. V. S. SUNDARAM, Controller of Railway Ac-		
counts,		
Mr. A. C. BADENOCH, C.S I , C.I.E , I.C.S.. Audi-		
tor General of India,		
Mr. T. K. RAJAGOPALAN, Director of Railway		
Audit,		
The Hon'ble Sir JOHN NIXON, K.C.I.E , C.S.I.,		
I.C.S.. Finance Secretary.		

37. A member of the Committee enquired as to the savings that had been brought about by the work of the Standards Office. The Chief Commissioner pointed out that it was impossible to give figures of the gain to the railways. The Committee desired that a report should be furnished next year on the working of the Standards Office with particular reference to the value of the work in justification of the expenditure incurred.

38. The Committee then continued examination of the Appropriation Accounts, and with reference to Grant No. 6-C. at page 33 it was explained in answer to a question that experimental rail buses had been constructed by certain railways with car-engines, and though heavier expenditure on maintenance had outweighed the lower original cost in comparison with the imported rail buses, the experiments which were also being continued, were fully justified.

39. *Page 67.*--Comment was made on the large variations between appropriation and expenditure incurred during 1936-37 on Open Line Works, and

the explanation was given that this was partly due to the change of allocation as between the depreciation fund and revenue (working expenses) during the course of the year and partly to the difficulty of making estimates for work for the arbitrary period of the financial year. The Committee while willing to recognise the difficulties considered that the proper method of dealing with them was by the system of lump sum cut which had not been adequately applied in the year 1936-37.

40 *Page 74*—In connection with the savings in State Railways managed by companies, which were stated to be due to non-completion of works and postponement of construction, the point was raised as to what means the Railway Board had to prevent the deterioration of the standards of maintenance on Company-managed Railways. It was explained that through the Government Inspectors proper standards of safety were insisted on, but as regards amenities there was no power of compulsion. The Government Examiner kept a watch over arrears of replacement of rolling stock. The Committee desired that the Railway Board should look into the matter and furnish a report next year on the control of the maintenance of standards of safety and amenities on Company-managed Railways.

41 *Page 86*—With regard to the statement showing results of stock verification and re-valuation of stores, the Chief Commissioner suggested that a great deal of work would be saved if the annual revaluation of stores was discontinued and adjustments in accounts were made only when necessity arose. The Auditor General however considered this inadvisable in that it was a sound procedure to write down the value of stores each year. The Committee were disposed to agree that there was no reason for an alteration in the present practice.

42. *Annexure 1.*—Adverse comment was made on the increase in the number of items of outstanding unsanctioned expenditure under nearly all heads. It was explained that a considerable number of these related to cases under litigation or to cases of disputed allocation with Company-managed Railways, and the Committee considered that to avoid unnecessary expenditure of time and labour the possibility of settlement of long-standing items by compromise should be considered.

There was some discussion over the question of works being started before the final detailed estimates had been sanctioned. The Committee appreciated that considerable delay was bound to occur if final detailed estimates had to be sanctioned in all cases before works could be started, but considered that it should be possible to require the submission of abstract estimates in greater detail than at present so that the variations between original and final estimates would be small. Sanction for the works could then be given on the abstract estimates. The Committee desired that this should be examined before the next year.

43 *Balance Sheets of Railway Collieries.*—A member drew the attention of the Committee to the fact that all except two or three collieries owned by railways showed a loss in the year 1936-37. It was explained that last year the orders given to outside collieries had been reduced and the orders placed with the railway collieries increased, so that with increased outturn the net

loss would be reduced. The Committee realised that the system under which railways owned and worked collieries was justified as a measure of controlling the price of coal supplies from the open market, but considered that the railways should continue to make every effort to make their collieries pay.

44. *Capital statements and profit and loss accounts of Tatanagar Workshops*
—With reference to the statement of out-turn in the Tatanagar Workshops during 1936-37 at page 73, a member of the Committee enquired whether all possible work from all railways was being given to the Tatanagar Workshops. The Chief Commissioner stated that the Tatanagar Workshops were primarily designed for the manufacture of under-frames and that all under-frames required for State and Company-managed Railways were being ordered from the Workshops. Reconditioning of wagons and construction of spare parts of under-frames were also done in this Workshop. The question whether the concentration in one shop of the making of drop-stampings, which the Wedgwood Committee recommended, could be done in this shop, was also being considered, and the Railway Board were examining the position as regards the manufacture of under-frames for railways which were not State-owned.

The Committee adjourned at 1-30 p m.

APPENDICES.

Statement showing action taken or proposed to be taken on recom

Serial No	Year of Report.	Paragraph of Report or Proceedings	Recommendations or suggestions
1	1934-35 1935-36	10-R .. 4-P	That a further report be submitted next year regarding the effect of the recent orders relating to the prompt submission of completion reports.
2	1933-34 1935-36	14-R. . 7-R. and 5-P.	That a further report be submitted next year regarding the progress made with the revision of the Railway Codes
3	1933-34 1934-35 1935-36	13-R . 8-P. 23-P	That a further report be submitted next year regarding the arrangements for auction sales on the Eastern Bengal and East Indian Railways.
4	1934-35 1935-36	12-P .. 6-P. and 25-P.	That a further report be submitted next year regarding the action taken on the recommendations made by the Pope Committee.
5	1934-35 1935-36	12 -P. . 9-R. and 26-P.	That a special enquiry be undertaken to see whether the number of saloons maintained for the use of railway officers could not be reduced and that a report on the subject be submitted next year. Also that pending the completion of the enquiry no further expenditure be incurred on renewals
6	1935-36 ---	10-R. .. 31-P. - -	That a census of the number of free passes issued for railway officers be taken in 1937-38, if possible, or if that is not possible in 1938-39, and that the results be reported to the Committee.
7	1935-36	6-R. .. 17-P. . 41-P. 43-P. 51-P.	That the administrative and accounting authorities should collaborate in attempting to make the explanations given in the Appropriation Accounts more illuminating
8	1935-36	6-R. ..	That the Director of Railway Audit should in future indicate, in connection with the lists of questionable re-appropriations, etc., which of the items he still regards as unsatisfactory after considering the explanations of the administrative authorities
9	1935-36	2-P. ..	That further information be supplied regarding the working and results of the system by which lump cuts are made by the Railway Board in the estimates submitted by the various Railways.
10	1935-36	12-P. ..	That the Railway Board should examine whether it was a fact, and if so whether it was correct, that no depreciation funds could or should be maintained for certain lines.
11	1935-36	21-P. ..	That a further report be submitted regarding any remedial or disciplinary action which might be taken in connection with the wrong provision of a sum of Rs. 11 lakhs.

DIX I.**RAILWAYS.**

mendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

A Report on the subject has been submitted. (Appendix III)

A memorandum has been submitted. (Appendix IV.)

This has been done (Appendix V.)

This has been done. (Appendix VI.)

The question is being examined. (Appendix VII.)

A note has been submitted. (Appendix VIII.)

This has been brought to the notice of the authorities concerned.

The items considered unsatisfactory have been detailed as 'Defective re-appropriations' in paragraph 9 of the Railway Audit Report, 1938.

A note on the subject has been furnished (Appendix IX.)

A note on the subject has been furnished. (Appendix X.)

A note on the subject has been furnished

Statement showing action taken or proposed to be taken on recom-

Serial No	Year of Report	Paragraph of Report or Proceedings	Recommendations or suggestions
12	1935-36	34-P .	That the Director of Railway Audit should examine the possibility of securing more accurate budgeting under suspense heads (with special reference to a case relating to the B. B. and C. I. Railway) and should state the results of his examination in next year's Audit Report.
13	1935-36	35-P. . .	That the Railway Board should bring to the notice of the Administrations concerned the comments made by the Director of Railway Audit with regard to the apparent deterioration of control over expenditure on the Bengal Nagpur and East Indian Railways
14	1935-36	48-P. ..	That a saving of Rs 48,000, which was stated to be due to "non-filling up of vacancies" should be investigated and that it should be reported next year whether this saving could not have been anticipated at the time when the budget was prepared
15	1935-36	49-P. ..	That the Auditor-General should in consultation with the Railway Board investigate the possibility of modifying the present methods of budgeting for depreciation and interest charges with a view to avoiding large variations between the estimates and actuals.
16	1935-36	52-P. ..	That in connection with Grants 11 and 12 the Railway Board should indicate in their Review the total amounts of the increases and decreases, as compared with the budget provision, in the Grants as a whole.
17	1935-36	56-P. ..	That the Railway Board should make efforts to clear as soon as possible the older items mentioned in Appendix A (i) to the Appropriation Accounts, and to prevent any similar accumulation in future.
18	1935-36	58-P. ..	That the Tatanagar workshops should if possible be given as much work as their present capacity and equipment permit them to undertake.

RAILWAYS.

mendations made by the Central Public Accounts Committee—contd.

Action taken or proposed to be taken

This was examined and the results have been stated in paragraph 11 (v) of the Railway Audit Report, 1938.

This has been done.

A note has been furnished.

A note on the subject has been furnished. (Appendix XI)

This has been done.

This is being done.

A note on the subject has been furnished. (Appendix XII.)

APPENDIX II.

LETTER FROM THE AUDITOR GENERAL OF INDIA, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, NO T.-323-REP/10-38, DATED THE 11TH JUNE 1938

SUBJECT :—*Appropriation Accounts (Railways) 1936-37 and the Audit Report, 1938.*

With reference to paragraph 13 (1) (i) and (ii) of the Government of India (Audit and Accounts) Order, 1936, and paragraph 13 (2) of the Government of India (Commencement and Transitory Provisions) Order, 1936, and paragraph 13 of the Government of India, Finance Department letter No. D./29-Ref./37, dated the 8th January 1937, I have the honour to transmit herewith two copies of the Appropriation Accounts of Railways in India for the year 1936-37, Parts I and II, issued by the Chief Commissioner of Railways, together with two copies of the Audit Report, prepared by the Director of Railway Audit, for necessary action by the Governor General in Council.

2. I have the honour also to transmit herewith two copies each of the Capital Statements, Balance Sheets, and Profit and Loss Accounts of Railways in India, and of the Balance Sheets of Railway Collieries and Statements of all in-costs of coal for 1936-37.

3 The Appropriation Accounts and the Audit Report have, as usual, been subjected to a detailed examination in my office and I have satisfied myself that they are generally in order.

4. *Surplus of the year 1936-37.*—The surplus amounting to Rs. 1,20,58,909 has been utilised towards repayment of the temporary loans taken from the Depreciation Reserve Fund in the previous years to meet deficits in working. A vote of the Legislature for the transfer of this surplus was not obtained. The original view of Government that a vote of the Legislature was not necessary was based on a misconception. The Government of India and the Auditor General are now agreed that a vote was necessary, and presumably Government will now take an excess vote to regularise the transfer.

5 *Allocation of expenditure on Rolling Stock.*—Attention has been drawn in the last four successive years to the unsettled question of the allocation of expenditure on rolling stock on Company-managed Railways which is again mentioned in paragraph 16 of the Railway Audit Report. No decision has yet been reached on this question. The continued delay in determining the 'Rolling Stock Convention' results in great inconvenience as, in the absence of an agreed basis of allocation, audit of accounts cannot be completed and financial results cannot be finally certified.

APPENDIX III.

Report by the Railway Board on the effect of their orders regarding the prompt submission of completion reports.

In para 1 of the Proceedings of the meeting of the Public Accounts Committee held on the 21st July 1937, the Committee desired to be furnished with a further report on the timely submission of completion reports specially with regard to the effect of the orders issued by the Railway Board in their circular letter No 1444-W., dated the 10th April 1937, printed as Appendix III to Volume I, Part II, of their report on the accounts for 1935-36.

2 The reports received from the Railway Administrations show that on six railways, *viz*, the Bengal Nagpur, Eastern Bengal, East Indian, Great Indian Peninsula, Madras and Southern Mahratta and North Western, taken together, it has been found possible, owing to the adoption of the procedure laid down in the Railway Board's letter quoted above, to close earlier the accounts of over 150 works. The Board consider this satisfactory. It is hoped moreover that even better results will be obtained in future.

3 There are no cases of delay on the Bengal and North Western and Rohilkund and Kumaon Railways which can be ascribed to the causes mentioned in the letter referred to in para 1, and the Bombay, Baroda and Central India and South Indian Railways had already in force a procedure which ensured the closing of accounts with the minimum of delay.

APPENDIX IV.

Memorandum on the Compilation of State Railway Codes.

At its meeting in July, 1937, the Public Accounts Committee desired that a further report be made on the progress of the work in connection with the compilation of State Railway Codes.

2. Since the last meeting of the Committee, the following codes have been issued :—

(i) Advance Chapters and Appendices of the State Railway General Code (p 83) (These chapters deal with the allocation and classification of receipts and expenditure—both Capital and Revenue)

(ii) State Railway Establishment Code (p 664).

(iii) State Railway Code for the Stores Department (p. 539).

3. The compilation of the following codes has been completed and the *printing* of the Codes is in progress —

(i) State Railway Code for the Engineering Department (p 420).

(ii) State Railway General Code, including Advance Chapters and Appendices (p 430).

(iii) State Railway Code for the Mechanical Department (p 280).

4. The *drafting* of the following codes is in progress :—

(i) State Railway Code for the Traffic Department (p 300)

(ii) State Railway Code for the Accounts Department (p. 450)

5 The new codes incorporate the necessary forms, so that a separate Book of Standard State Railway Forms is no longer necessary

6. Judging from the rate of progress so far, it is hoped to finish the work by about the 31st of March, 1939. This estimate, however, does not provide for the revision of the instructions regarding the preparation of railway statistics, as it is intended to take up the work only after the general question of revising railway statistical forms and returns has been considered by the Board

APPENDIX V.

Note on the working of the instructions issued by the Railway Board regarding auction sales on railways.

The Public Accounts Committee in paragraph 23 of their Report on the accounts of 1935-36, Volume I, Part II—Railways desired to be furnished with a further report this year dealing with the question of auction sales on the East Indian and Eastern Bengal Railways with particular reference to the condition that the auction material should not be allowed to be removed until the full amount had been received from the auctioneers.

2 As the Committee are aware (*vide* Appendix V to the Report for 1935-36) the proposal to safeguard Government against loss of sale proceeds, through a Fidelity or Guarantee Bond, was being further examined by the railway administrations in view of the fact that no insurance company was prepared to undertake the risk against the insolvency of the auctioneers. The Railway Board now understand that it is not the policy of any reliable insurance company to insure against bankruptcy. In view of this and of some other amendments proposed by the insurance companies consulted the effect of which would be to multiply for practical purposes the safeguards in the terms of the Guarantee policy suggested by the Railway Board, the Government of India are tentatively of the opinion, subject to further consideration they are giving to this matter, that the insurance scheme should be dropped and necessary safeguards should be secured in some other manner.

3 The firms conducting the auctions on the East Indian and Eastern Bengal Railways are well established ones of sound financial standing and good reputation. In the circumstances, the railway administrations think that it would suffice if the firms are asked to sign supplementary agreements providing *inter alia*—

- (i) that payment of the sale money is made within a week of the date of delivery of the material auctioned ; and
- (ii) that the auctioneers shall hold the amounts realised as a trust fund for the benefit of the railway administrations, subject to the auctioneers' lien for any moneys payable to them under original agreements

Barring insolvency, the proposed agreements appear to provide the necessary safeguards and in the event of any serious breach of their provisions, it should always be possible to seek relief in a court of law

4. The supplementary agreements are at present under the consideration of the Railway Board, but pending their execution, the proposed methods are being followed on the East Indian and Eastern Bengal Railways and short *interim* agreements on these lines are being executed by the auctioneers in the case of each auction.

APPENDIX VI.

Action taken on the Pope Committee's Report.

Job-Analysis investigations were continued on most of the Railways during the year 1936-37 also in accordance with the recommendations made by Mr. Pope in 1933 and 1934. The table below shows the economies effected on each of the more important Railways and the cost of the 'Job-Analysis' organisation for the four years 1933-34, 1934-35, 1935-36 and 1936-37.

Railways.	1933-34		1934-35		1935-36		1936-37		Totals.	
	Cost of Job analysis Organisation	Savings effected	Cost of Job analysis Organisation	Savings effected	Cost of Job analysis Organisation	Savings effected	Cost of Job analysis Organisation	Savings effected	Cost of Job analysis Organisation	Savings effected
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
East Indian ..	77,691	7,01,128	92,884	18,14,544	1,13,541	5,82,459	93,009	5,60,701	3,77,125	36,58,831
Great Indian Peninsula ..	50,680	4,15,000	64,000	2,04,246	53,574	2,04,859	19,554	9,69,221	1,93,808	17,93,329
North Western ..	32,000	12,66,749	46,006	12,37,376	56,729	7,22,202	40,056	33,35,052	1,74,791	65,61,419*
Eastern Bengal ..	63,000	2,14,864	65,995	1,29,593	26,134	41,600	25,969	1,17,152	1,81,088	5,03,124
Bombay, Baroda and Central India.	58,789	3,52,862	35,300	11,41,596	3,643	2,25,682	247	8,27,666	97,979	25,47,807
Madras and Southern Mahratta ..	8,750	45,220	17,632	1,14,000	4,920	2,56,000	120	1,94,852	31,422	6,10,072
South Indian ..	19,580	27,400	2,180	25,000	221	8,463	504	7,585	22,485	68,448
Burma ..	7,500	25,871	26,615	73,352	1,490	77,591	7,065	24,146	34,115	1,76,814
Assam Bengal ..	12,825	1,31,755	8,208	12,659	17,575	13,68,493	2,617	66,330	29,588	1,68,560
Bengal Nagpur ..	.	.	.	.	.	.	.	.	20,192	14,34,823
Totals including Burma Railways	3,36,815	31,80,849	3,58,820	47,52,281	2,77,827	34,87,349	1,89,141	61,02,747	11,62,603	175,23,226
Totals excluding Burma Railways	3,29,315	31,54,978	3,32,205	46,78,929	2,77,827	34,09,758	1,89,141	61,02,747	11,28,488	173,46,412

*This figure is subject to revision.

†Figures not available

2. Details of the action taken on some of the more important recommendations are given below :—

3. *Intensive use of locomotives.*—In the note placed before the Public Accounts Committee last year (Appendix IV in Part II of the Report of the Public Accounts Committee on the account of 1935-36) reference was made to the improved locomotive utilisation, attained on the four State-managed Railways and, in illustration thereof, figures showing the average passenger engine miles per day per passenger engine during the years 1933-34, 1934-35 and 1935-36 were given. During 1936-37 further improvement was recorded on the Eastern Bengal, East Indian and North Western Railways while the Great Indian Peninsula Railway showed a slight set back on their previous high figure. The figures for the four years are as follows :—

Year.					E. B. Railway	E. I Railway.	G I P Railway	N W Railway
1933-34	..	..	..	..	123	140	193	117
1934-35	..	..	..	..	147	141	197	122
1935-36	..	..	..	..	144	145	202	135
1936-37	..	..	..	..	148	147	199	142

In respect to the locomotive stock figures contained in the note referred to, improved traffic, which has in certain respects exceeded the highest recorded figures of 1928-29 and 1929-30, combined with the high cost of new locomotives at the present time, has necessitated a reconsideration of previously approved scrapping programmes and a limited replacement of stock already scrapped. The figures 294 locomotives on the Eastern Bengal Railway at the end of 1938-39 still holds but four new locomotives have been provided in the programme for 1939-40 in replacement of four locomotives already broken up. This, in effect, will increase the available stock of locomotives on the Eastern Bengal Railway at the close of 1939-40 from 294 to 298. In the case of the East Indian Railway, 13 locomotives previously selected for scrapping during 1938-39 are to be retained in service thereby increasing the number available at the close of this financial year from 1,529 to 1,542. In addition 15 new locomotives have been provided in the programme for 1939-40 in replacement of locomotives already broken up thereby raising the available stock figure at the end of 1939-40 to 1,557. The Great Indian Peninsula Railway figure of 729 locomotives will continue to hold until the end of the financial year 1939-40. In the case of the North Western Railway, 49 locomotives previously selected for scrapping without replacement are being re-examined with a view to the retention in service of those the condition of which warrants it. The available stock at the end of 1939-40 is, therefore, likely to be higher than the anticipated figure of 1,133 at the close of this financial year.

The better use of locomotives and the reduction in the number under repair, which is an essential step towards improved utilisation, were also recommended in the Indian Railway Enquiry Committee's report (1937) and further developments relating to this subject will be found detailed against paragraphs 47 (a), 47 (c) and 55 of the statement showing the action taken by the Railway Department (Railway Board) on the paragraphs in

Chapters III to XI of that Report, copies of which have already been furnished to members of the Committee. Since the preparation of the statement referred to, the inspection of locomotive servicing facilities on all broad gauge railways by the mechanical officer on special duty has been completed. The application of experimental bearings approved by the Board to locomotives is well advanced and the first locomotives conforming to those new designs have commenced to leave the workshops. Further meetings of Railway and Indian Stores Department metallurgists have been held and a Standing Committee constituted. Improvements in the technical control of non-ferrous metals are under consideration, and selected members of the Committee are undertaking original research.

4. *Intensive use of coaching stock*—The attention of the Committee was previously drawn to the reductions effected in the coaching stock of State-managed Railways between 1933-34 and 1938-39. Further reduction to the extent of 92 units on the Great Indian Peninsula and North Western Railways during 1939-40 have been approved by the Railway Board. A method of centralised control of pooled mela stock and the charges to be levied for its hire has been formulated by the Operating Section of the Indian Railway Conference Association and will be considered by the Association at its next meeting.

As in the case of locomotives, the better use of coaching stock was recommended in paragraph 47 (c) of the Indian Railway Enquiry Committee's Report (1937) and further developments are recorded in the remarks of the Railway Board against this paragraph in the statement referred to in paragraph 3 above.

Another development was the formation of a special organisation on the Eastern Bengal Railway to examine the working of suburban rakes on the Budge-Budge Section. As a result of this examination, a re-planning of services and a reduction in the strength of rakes have released 150 bogie coaching vehicles and 18 four-wheeled coaching vehicles (the capital cost of which is Rs 37,50,000). The revised arrangement is, however, at present only experimental.

5. *Intensive use of machinery and plant*.—The Board are investigating the possibility of centralising the manufacture of selected items. Concentration of the manufacture of cylinder castings for standard engines at Jamalpur was introduced some time ago. If reference is made to paragraph 7 it will be seen that although a proposal to centralise the manufacture of coaching bodies has had to be abandoned, the possibility of centralising the manufacture of drop stampings at the Tatanagar workshops is now under investigation.

6. *Uneconomical wagons*.—This subject was dealt with in paragraph 47 (g) of the Indian Railway Enquiry Committee Report (1937) and further developments are referred to in the Railway Board's statement. Since the statement referred to was prepared replies reviewing the position have been received from all broad gauge railways. These replies are now receiving the Railway Board's attention, and a decision has already been taken to re-condition a further 4,000 high-capacity uneconomical wagons belonging to the Bengal Nagpur Railway.

The investigation into the incidence of wagon defects referred to in the previous note placed before the Public Accounts Committee has also been completed, as also a preliminary analysis of the data derived from the investigation. This analysis will shortly be considered by the Committee appointed for this purpose. This investigation is also referred to in the Railway Board's statement in connection with paragraph 47 (b) of the Indian Railway Enquiry Committee's report (1937).

7. *Combining resources between Railways*.—This subject is to some extent covered in paragraph 52 of the Indian Railway Enquiry Committee's Report (1937) and further developments are referred to in the Railway Board's statement in respect to that paragraph. The report on the concentration of drop stamps at Tatanagar referred to therein is still awaited from the General Manager, East Indian Railway. Material progress has been made with the introduction of "single control" at junction stations. The South Indian Railway has introduced this system for coaching and wagon stock at Jalarpet as a trial measure. The Great Indian Peninsula Railway has similarly introduced "single control" for carriages and wagons at Raichur, Cawnpore and Juhu with material savings in staff costs and the extension of the system to other junction stations is under investigation.

The Eastern Bengal and East Indian Railways have obtained extremely satisfactory results from the introduction of "single control" at Naihati and annual savings in excess of Rs. 22,000 annually are anticipated. This subject is also covered by paragraph 68 (d) (i) of the Indian Railway Enquiry Committee Report (1937).

8. *Ticketless travel*.—In the note previously placed before the Public Accounts Committee, reference was made to the Bill that had been introduced in the Legislative Assembly for amending the Indian Railways Act in order to permit of more effective steps being taken for the recovery of fares, etc. due from passengers travelling without proper tickets. This bill has since lapsed under the provisions of sub-order (2) of Standing Order 4 of the Legislative Assembly's Standing Orders, as no motion in regard to it was made during two complete sessions of the Assembly. The question of what further action should be taken in the matter is under consideration.

APPENDIX VII.**Note by the Railway Board regarding Reserved carriages maintained for the use of Railway Officers.**

In accordance with the wishes of the Public Accounts Committee expressed at their meeting in July last no proposals received from Railways for the provision of reserved officers' carriages during 1939-40 have been accepted by the Railway Board. Prior to the meeting referred to the Railway Board had decided that the rolling stock programmes submitted by Railways should in future contain data showing the average utilisation of available reserved carriages. Following an examination of such data contained in the 1939-40 programmes the Railway Board decided not to proceed with the construction of five broad gauge and four metre gauge 4-wheeled carriages sanctioned by the Standing Finance Committee for Railways for construction during 1938-39. Further all Railways have been instructed to carry out a thorough analysis of the utilisation of reserved carriages at all administrative, divisional and district headquarters and submit reports to the Railway Board in due course

This investigation will take some time to complete and a further report will be placed before the Committee at its next meeting.

APPENDIX VIII.

Note by the Railway Board on the issue of Free passes for railway officials.

The Public Accounts Committee, in paragraph 10 of their report on the accounts of 1935-36 (Part II-Railways) remarked that no recent information was available regarding the number of passes actually issued and considered it desirable that a census should be taken and the results reported. These remarks had reference to paragraph 31 of their proceedings on the 22nd July 1937, in which the Committee recommended that a census should be taken in 1937-38, if possible, or, if this were not possible, in 1938-39 and that the results should be reported with the number of officials concerned in each class.

2. Although the Committee asked for a statement for the year 1937-38, in view of the fact that the revised rules for the issue of passes, which had the effect of generally curtailing the number of passes admissible, had effect from the 1st January 1937, figures have been obtained for the calendar year 1937. These figures are embodied in the statement appended which also shows :—

- (i) the number of passes issued during 1936 ,
- (ii) the approximate number of the total staff eligible for passes in each class during the month of June 1937

Comparative statement showing the total number of single journey privilege passes of each class issued by State-managed Railways to their employees during the calendar years 1936 and 1937, and the approximate number of staff entitled to each class of pass in 1937.

Class of Pass.	Eastern Bengal Railway.			East Indian Railway.			Great Indian Peninsula Railway			North Western Railway.		
	Passes issued in		Approximate No. entitled to passes in each class in 1937.	Passes issued in		Approximate No. entitled to passes in each class in 1937.	Passes issued in		Approximate No. entitled to passes in each class in 1937.	Passes issued in		Approximate No. entitled to passes in each class in 1937.
	1936.	1937.		1936.	1937.		1936.	1937.		1936.	1937.	
First ..	1,922	1,906	140	2,894	3,881	313	1,570	1,679	254	2,263	3,482	323
Second ..	10,768	4,148	738	17,374	11,349	3,203	22,013	13,268	2,785	26,417	10,529	2,299
• Inter ..	35,076	19,099	4,432	38,311	26,908	9,037	58,413	19,358	5,308	1,22,375	36,976	7,607
Third ..	78,610	69,288	46,294	84,398	82,148	1,10,768	1,24,979	1,23,439	62,643	1,70,200	1,90,021	91,851

Total number of passes issued—

	1936.	1937.
First class	..	8,649
Second class	..	76,565
Inter class	..	2,55,175
Third class	..	4,58,187
		4,64,806

Approximate No. of staff in 1937 entitled to—

First class	..	1,030
Second class	..	9,025
Inter class	..	26,384
Third class	..	3,11,486

APPENDIX IX.

Note by the Railway Board on the results of the working of lump sum cuts in the estimates of Capital and Depreciation Fund expenditure.

In paragraph 2 of the proceedings of the meeting of the Public Accounts Committee held on 21st July 1937, the Committee desired to have information regarding the working and the results of the system of lump sum cut made in the estimates of Capital and Depreciation Fund expenditure.

2. On account of the continued lapses in the grants for Capital and Depreciation Fund expenditure for several years, the procedure of lump sum cut was introduced in the budget from 1936-37. According to this procedure no reduction was made in the provision for any of the works included in the programmes ; only the total allotment was reduced by an amount by which it was expected that the actual expenditure on the Railway would fall short of that provided in the programme

3 The statement below gives the results for 1936-37 —

1936-37.

[Figures in lakhs]

Railways.	Allotment for demands 11 and 12			Actuals.	Savings—Excess + on	
	Gross	Lumpsum cut.	Net.		Gross.	Net.
1 A. B. ..	53	—2	51	66	13	+15
2. B. N. ..	1,27	—17	1,10	57	—70	—53
3. B. and N. W	12	—2	10	2	—10	—8
4. Bezwada	..	..	..	..	..	..
5 D. K. ..	..	..	..	..	..	..
6 B. B and C I	1,32	—19	1,13	76	—56	—37
7 Burma	30	—5	25	21	—9	—4
8 E. B. ..	78	—10	68	59	—19	—9
9. E. I. ..	2,18	—27	1,91	1,63	—55	—28
10 G. I. P	1,12	—14	98	61	—51	—37
11 Jodhpur	18	—1	17	7	—11	—10
12. M. and S. M	94	—9	85	73	—21	—12
13. N. W. .	1,80	—14	1,66	1,65	—15	—1
14. R. and K	6	..	6	4	—2	—2
15. S. I. ..	91	—10	81	67	—24	—14
16 C. M. E.	—1	..	—1	—4	—3	—3
17. Emergencies	5	..	5	..	—5	—5
18. Miscellaneous	..	..	..	—1	—1	—1
Total ..	11,55	1,30	10,25	8,16	—3,39	—2,09

It will be observed from the above statement that the savings in the original allotment would have been much more but for the cut imposed by the Board.

The position has also been dealt with in paragraph 40 of the review of appropriation accounts of Railways for 1936-37 by the Chief Commissioner of Railways.

4. The same procedure was continued in the Budget for 1937-38 and the results, as they appear from the approximate actuals given below, are very close and show clearly the usefulness of the procedure adopted. In an estimated expenditure of $8\frac{1}{2}$ crores there is a saving of 2 lakhs only or about .2 per cent.

1937-38.

[Figures in lakhs]

Railways	Allotment for demands 11 and 12 for 1937-38.			Approximate Actuals.	Saving—Excess + on	
	Gross	Lumpsum cut	Net.		Gross	Net.
1. A. B.	52	—5	47	56	4	+9
2. B. N. . . .	1,15	—35	80	73	—42	—7
3. B. and N. W. ..	11	—2	9	12	1	+3
4. Bezwada ..	1	..	1	..	—1	—1
5. D. K.						
6. B. B. and C. I. ..	1,15	—45	70	88	—27	+18
7. E. B.	75	—20	55	73	—2	+18
8. E. I.	1,68	—31	1,37	1,61	—7	+24
9. G. I. P. . . .	73	—30	43	36	—37	—7
10. Jodhpur ..	31	—5	26	4	—27	—22
11. M. and S. M. ..	1,09	—15	94	86	—23	—8
12. N. W. ..	2,30	—36	1,94	1,91	—39	—3
13. R. and K. ..	8	.	8	4	—4	—4
14. S. I.	1,05	—25	80	69	—36	—11
15. C. M. E. ..	—2	..	—2	—4	—2	—2
16. Emergencies ..	8	..	8	..	—8	—8
17. Miscellaneous ..	..	..	.	—1	—1	—1
Total ..	10,99	—2,49	8,50	8,48	—251	—2

APPENDIX X.

Note regarding expenditure on renewals and replacements of worked lines for which no depreciation fund is maintained.

In paragraph 17 of the Appropriation Accounts of Railways in India for 1935-36, Part I—Review, it was explained that, on the Madras and Southern Mahratta Railway, an excess of $2\frac{1}{2}$ lakhs had occurred partly because no provision had been made through oversight for renewals and replacements of assets of worked lines for which no depreciation fund is maintained. When considering the explanation, the Public Accounts Committee desired it to be examined whether it was a fact, and if so, whether it was correct that no depreciation fund could, or should, be maintained for these lines.

2 The position is as follows The lines referred to are lines belonging to the Indian States and a Foreign power, and the Government of India have no financial interest in those lines beyond working them under the terms of certain contracts. Therefore, it is correct that no depreciation fund can, or should, be maintained for those lines by Government

3. The practice in classifying expenditure on renewals and replacements on worked lines for which no depreciation fund is maintained, was not uniform on railways. To secure uniformity, the Railway Board issued instructions that such expenditure should be charged to ordinary Working Expenses and not to the depreciation fund. In spite, however, of these instructions, the Madras and Southern Mahratta Railway included, in their original estimate for appropriation from the depreciation fund for 1935-36, the provision for such expenditure the respect to the worked lines in question. This provision was cut out by the Railway Board's office, but, through oversight, no provision was made under the appropriate revenue demands. This omission came to notice at the time of the revised estimate, but, as full data were not available, the provision made by the Railway Board's office was on a rough basis, which proved inadequate.

APPENDIX XI.**Note on budgeting for Depreciation and Interest charges.**

In paragraph 49 of their Report on the accounts for 1935-36 the Public Accounts Committee recommended that the present method of budgeting for (1) contribution to the Depreciation Reserve Fund and (2) interest charges on account of Capital at charge on railways should be so modified as to avoid variations between the original estimates, the revised estimates and the actuals during the course of the year.

2. The recommendation has been considered by the Finance and Railway Departments in consultation with the Auditor General particularly with reference to the concrete suggestion that interest charges should be calculated on the previous and not on the current year's capital outlay. The adoption of this suggestion would not necessarily secure correspondence between budget and actuals for when the budget is prepared the capital outlay of the year not completed is not finally known. Further the Departments involved are Commercial Departments and it is desirable that the amount adjusted in the accounts should relate to the year of account. Moreover, financial interests should take precedence of formal regularity and to base the interest charges on the capital outlay at the end of the penultimate year to the year in which provision is made for these charges will mean a loss of interest. Further, variations, for example, between actuals and budget in the case of contributions to the Depreciation Reserve Fund are not so important from the stand-point of strict Parliamentary financial control, as they do not indicate any laxity. In any case it seems unwise to make any change in the system of budgeting when under the Federal Railway Authority the present grant system is likely to lapse. It has therefore been decided that the existing arrangements should be allowed to continue for the present.

APPENDIX XII.

Note by the Railway Board on the Working of the Tatanagar Workshops.

In paragraph 58 of the Proceedings of the Report of the Public Accounts Committee for 1935-36, Volume I, Part II, it is stated that —

“It was agreed, however, that the Tatanagar Workshops should, if possible, be given as much work as their present capacity and equipment permit them to undertake ”

With reference to this, the Railway Board desire to explain the present position as follows, for the information of the Public Accounts Committee

2. The workshops at Tatanagar are equipped for the manufacture of standard carriage underframes and owing to the specialised nature of their equipment they cannot be advantageously employed on general railway engineering work.

3. Since the re-opening of the workshops, reduced traffic and better utilisation of existing coaching stock have caused the underframe requirements of Railways to fall below the full capacity of the workshops, and constant efforts have been made to provide suitable allied work to keep the workshops more fully employed.

4. During the past 2½ years it has been found possible to supplement the work of the workshops by entrusting to them the reconditioning of uneconomical wagons. An order for 1,000 wagons for the Bengal Nagpur Railway has been completed, and a further order for 1,800 wagons for the East Indian Railway is now in progress and likely to be completed in April next.

5. All railways have recently been invited to submit proposals for the reconditioning at Tatanagar of any wagons which are proving uneconomical to maintain, but the Railway Board are unable to state at this stage whether additional work of this class will be forthcoming.

APPENDIX XIII.

Report by the Railway Board on the financial results of the South Indian suburban electrification at Madras.

The attached statement which has been prepared by the Railway Administration in consultation with the statutory Auditor shows the financial results of the suburban electrification scheme of the South Indian Railway.

The results may be summarised as follows .—

Estimate						Traffic in train miles (lakhs)	Percentage of net savings on net outlay
1932-33	..	..	..	..	..	6.77	5.79
1933-34	..	..	..	..	..	6.13	2.41
1934-35	..	..	..	..	..	6.01	4.23
1935-36	..	..	..	..	..	5.91	2.31
1936-37	..	..	..	..	..	6.11	2.73
1937-38	..	..	..	..	..	9.06	8.97
Estimate	.	.	..	..	..	Not available.	13.18

3. The favourable result obtained in 1937-38 is due to an increase of 48 per cent. in the number of train miles compared with the previous year. In addition, electrical working was comparatively cheaper in 1937-38 as there was an increase in the price of coal, while the administration secured lower rates for electrical energy under the terms of a new agreement with the Madras Electric Supply Corporation in November 1936.

4. The Consulting Engineers contemplated that 26 steam passenger trains would do the same services as 43 electric trains. In the statement however, a single average electric train has been taken as equivalent to a single steam train. This assumption is on the broad grounds which have been accepted by audit

- (i) that the present volume of traffic has necessitated the running of a greater proportion of double unit electric trains than appears to have been originally contemplated under the scheme, while a number of triple unit trains have also been run ; and
- (ii) that the figures of electric train mileage also include the haulage by electric locomotives of comparatively heavy main line passenger and goods trains, an item not contemplated in the original scheme which only envisaged the running of light six-vehicle suburban passenger trains in steam working.

Financial results of Madras Suburban Electrification.

Particulars.	Estimate.	Actuals.					Remarks.
		1932-33.	1933-34.	1934-35.	1935-36.	1936-37.	1937-38.
1. Traffic in lakhs of train miles (steam)	Lakhs of Rs. 47.36	6.77 Lakhs of Rs. 62.69	6.13 Lakhs of Rs. 72.85	6.01 Lakhs of Rs. 73.09	5.91 Lakhs of Rs. 73.57	6.11 Lakhs of Rs. 73.69	9.06* Lakhs of Rs. 73.89
2. Gross outlay on Electrification	..	36.57	36.57	36.57	36.57	36.57	(a) 36.57
3. If no electrification, estimated extra steam outlay for increased traffic.	31.12						
4. Cost of steam stock released because of electrification.	7.21	6.76	6.76	6.76	6.76	6.76	6.76
5. Net outlay on Electrification (Item 2—Item 3—Item 4).	9.03	19.36	29.52	29.76	30.24	30.36	30.56
6. Cost of steam working—Working expenses excluding depreciation	5.77	6.59	6.09	6.15	5.85	5.72	8.14
7. Cost of Electrical working—Working expenses excluding depreciation.	4.31	4.89	4.49	4.00	4.24	3.98	4.48
8. Gross savings in Working expenses due to electrification (Item 6—Item 7).	1.46	1.70	1.60	2.15	1.61	1.74	3.55
9. Depreciation on gross outlay on Electrification at 3% (Item 2)	1.42	1.88	2.19	2.19	2.21	2.21	2.22
10. Depreciation on steam outlay avoded at 3% on item 3 and 4.	1.15	1.30	1.30	1.39	1.30	1.30	1.30

* (Vide Note attached).

(a) Includes a portion of the outlay on alterations to Posts and Telegraphs attributable to Steam Traction.

11. Increase in annual depreciation charges due to Electrification (item 9—item 10).	0.27	0.58	0.89	0.89	0.91	0.91	0.92
12. Net savings in Working expenses due to Electrification (item 8—item 11)	1.19	1.12	0.71	1.26	0.70	0.83	2.74
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
13. Percentage of gross savings without allowing for depreciation on gross outlay item 8 \times 100	3.08	2.71	2.20	2.94	2.19	2.36	4.95
Item 2							
13A. Percentage of gross savings (after allowing for depreciation on electric outlay) on gross outlay item 8—9 \times 100	0.08	—0.29	—0.81	—0.05	—0.82	—0.64	1.95
Item 2.							
14. Percentage of gross savings on net outlay item 8 \times 100	16.17	8.78	5.42	7.22	5.32	5.73	11.98
Item 5.							
15. Percentage of net savings (after allowing for depreciation) on gross outlay item 12 \times 100	2.51	1.79	0.97	1.72	0.95	1.13	3.71
Item 2.							
16. Percentage of net savings (after allowing for depreciation) on net outlay item 12 \times 100	13.18	5.79	2.41	4.23	2.31	2.73	8.97
Item 5.							

Report by the Railway Board on the Financial Results of the Electrification of the Railways in Bombay.

The attached statements, which have been prepared in consultation between the Railway Administration and the Statutory Auditor concerned show the financial results of the electrification scheme on the Great Indian Peninsula and Bombay, Baroda and Central India Railways for the years 1930-31 to 1937-38. These have been prepared on the same basis as the statements which were placed before the Public Accounts Committee in previous years. The figures for the Great Indian Peninsula Railway show the result of all the schemes in a consolidated form as they are inter-dependent. Those for the Bombay, Baroda and Central India Railway exclude the figures for 'Borivli-Virar' extension. Though this was opened for traffic from September 1936, the completion report is not yet ready.

2. The figures for the two railways are summarised below :—

		Great Indian Peninsula.		Bombay, Baroda and Central India.	
		Traffic in train miles.	Percentage of net savings on net outlay.	Traffic in train miles.	Percentage of net savings on net outlay.
		Lakhs.		Lakhs.	
Estimate ..	..	55.40	10.51	16.60	16.93
1930-31 ..	..	42.50	4.80	14.28	10.35
1931-32 ..	..	41.87	5.37	13.43	10.96
1932-33 ..	..	41.21	5.23	12.56	11.62
1933-34 ..	..	41.85	4.90	14.00	13.43
1934-35 ..	..	41.80	4.42	14.07	15.54
1935-36 ..	..	42.37	4.86	14.31	16.63
1936-37 ..	..	42.65	5.33	14.64	18.95
1937-38 ..	..	42.33	4.98	14.76	19.27

3. The more favourable results obtained on the Bombay, Baroda and Central India Railway, as compared with the results on the Great Indian Peninsula Railway, are partly due to the fact that the gross capital expenditure in the former case has been reduced to a much larger extent proportionately by the credit for the steam stock released, and partly to the fact that only the suburban section of the Bombay, Baroda and Central India Railway has been electrified.

The slightly unfavourable results as compared with the previous year on the Great Indian Peninsula Railway even after allowing for an increase, as a result of re-verification, of 1.32 lakhs under the head "Cost of steam stock released because of electrification" are due to the fact that expenditure on armatures and other spare parts, formerly charged to Capital, has now been charged to Revenue, and that a reduction in the cost of steam working has been assumed on the basis of train miles which were fewer in spite of heavier loads.

4. The percentages given above have been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra outlay that would have been required for increasing traffic if no electrification had been carried out. This last is, as pointed out in the previous memorandum, problematical. Increased traffic has not materialised to the extent anticipated, and it is possible that some part of the estimated saving should be neglected. If the whole of it is neglected, the percentages will be as follows :—

					Great Indian Peninsula	Bombay, Baroda and Central India
1930-31	.	..	..	.	3.12 per cent.	3.18 per cent.
1931-32	..	..	.	.	3.58 per cent.	3.46 per cent.
1932-33	.	..	..	.	3.49 per cent.	3.77 per cent.
1933-34	..	..	..	..	3.24 per cent.	4.61 per cent.
1934-35	.	.	..	..	2.87 per cent.	5.58 per cent.
1935-36	.	..	.	.	3.20 per cent.	6.10 per cent.
1936-37	.	.	..	..	3.58 per cent.	7.17 per cent.
1937-38	.	..	.	..	3.20 per cent.	7.31 per cent.

5. As was pointed out last year, the real percentage of net savings for each railway probably lies between the figures in paragraphs 2 and 4 and, in all probability, nearer the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case even if electrification had not been introduced, in order to improve the capacity of the line, though it is not now possible to state with any degree of accuracy the number of additional steam locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that, though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, land for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

11	Increase in annual depreciation charges due to electrification (Item 9—Item 10).	2.46	1.87	1.87	1.87	1.87	1.87	1.87	1.87
12	Net savings in working expenses due to electrification (Item 8—Item 11).	13.93	6.43	6.81	7.22	8.34	9.65	10.33	11.77
13	Percentage of gross savings without allowing for depreciation on gross outlay (Item 8×100/Item 2).	8.02	4.09	4.28	4.48	5.03	5.68	6.01	6.82
13A	Percentage of gross savings (after allowing for depreciation on electrical outlay) on gross outlay (Item 8-9×100/Item 2).	5.03	1.09	1.28	1.48	2.03	2.68	3.01	3.82
14	Percentage of gross savings on net outlay (Item 8 × 100/Item 5).	19.92	13.36	13.97	14.63	16.44	18.55	19.64	22.28
15	Percentage of net savings (after allowing for depreciation) on gross outlay (Item 12 × 100/Item 2).	6.82	3.17	3.36	3.56	4.11	4.76	5.09	5.90
16	Percentage of net savings (after allowing for depreciation) on net outlay (Item 12×100/Item 5).	16.93	10.35	10.96	11.62	13.43	15.54	16.63	19.27
17	Percentage of net savings (after allowing for depreciation) on actual gross outlay (of 202.90) with traffic of 16-60 lakhs train miles	6.86	3.68	4.15	4.70	4.87	5.62	5.90	6.64

Increase in annual depreciation due to electrification (Item 9—Item 10).	16.32	15.01	15.31	15.85	15.86	15.84	15.85	15.85	15.81
Net savings in working expenses due to electrification (Item 8—Item 11).	54.70	28.52	32.51	31.92	29.93	26.95	29.66	32.53	30.34
Percentage of gross savings on gross outlay (Item 8 \times 100/Item 2).	7.47	4.62	5.01	4.98	4.77	4.46	4.74	5.04	4.81
Percentage of gross savings including depreciation electrical assets only (Item 3—9 \times 100/Item 2).	4.61	2.09	2.48	2.41	2.20	1.89	2.17	2.47	2.24
Percentage of gross savings on net outlay (Item 8 \times 100/Item 5).	13.65	7.33	7.90	7.82	7.50	7.01	7.45	7.92	7.57
Percentage of net savings on gross outlay (Item 12 \times 100/Item 2).	5.75	3.03	3.41	3.33	3.12	2.81	3.09	3.39	3.16
Percentage of net savings on net outlay (Item 12 \times 100/Item 5).	10.51	4.80	5.37	5.23	4.90	4.42	4.86	5.33	4.98

APPENDIX XIV.**Memorandum on placing Railway Accounts Staff under General Managers.**

The undersigned is directed to address the Finance Department regarding certain changes which are contemplated in the organisation of the Railway Accounts Department and to request that, if the Finance Department have no objection, this memorandum may be placed before the Public Accounts Committee at its next meeting.

2 As both the Finance Department and the Committee are aware, the duties of Audit and Accounting have been separated from each other in the Railway Department. This decision is based on a resolution moved by Government in the Legislative Assembly in September, 1925, and, in accordance with this resolution, the accounting staff on each State-managed Railway system is under the orders of the Financial Commissioner of Railways and not under those of the Agent for the purpose of appointments, promotions, transfers, etc. The Railway Accounts Department is administered by the Financial Commissioner of Railways with the assistance of the Controller of Railway Accounts who is under the Financial Commissioner of Railways and not under the Railway Board. The Audit Staff is of course under the administrative control of the Auditor General. The proposals of 1925 were intended to make a commencement in giving effect to one of the recommendations of the Acworth Committee of 1921, *viz.*, that the Railway Department should be responsible for its own accounts.

3 The position was reviewed by the late Sir Arthur Lowes Dickinson who visited this country in 1926-27 and examined the system of railway accounting. He found that there had been a divorce of accounts from operation and recommended that the principal accounting officer of each State Railway, though appointed by and removable by the Railway Board only, should be under the control of the Agent and responsible to him for the proper performance of his duties. This recommendation, however, was not acted on by Government.

4. In 1931 the Railway Retrenchment Sub-Committee examined in some detail the growth of expenditure under railway audit and accounts and in the course of this investigation, the question of placing the Chief Accounts Officer and his staff entirely under the control of the Agent was also examined. While the Sub-Committee did not approve of the idea of placing the Chief Accounts Officer entirely under the control of the Agent, even though the idea was favoured by the then Financial Commissioner of Railways when he gave evidence before the Sub-Committee, it recommended the transfer of control of the subordinate accounts staff (as distinguished from the superior staff) from the Controller of Railway Accounts to the Agents concerned. This recommendation, along with other recommendations of the Sub-Committee, was considered by the Public Accounts Committee in December 1931 when reviewing the accounts of 1929-30, but the Committee refrained from expressing any specific opinion on the details of the recommendations of the Sub-Committee and merely stated in general terms that it was not prepared to consent to any substantial diminution in the information as regards railway receipts and expenditure and in the facilities for final control which have been afforded to the Legislature by

the existing system. The question of transferring the control of subordinate accounts staff to Agents was eventually not proceeded with.

5. The Pope Committee who were appointed in accordance with the recommendation of the Retrenchment Sub-Committee to suggest methods of improving efficiency and securing economy on Indian Railways considered that the Chief Accounts Officer should be definitely under the Agent subject to such reservations as may be necessary regarding parliamentary control. The Committee felt that unless this was clearly laid down, the preparation of managerial information could not be carried out on co-operative and co-ordinated lines and the Chief Accounts Officer could not take his proper place in the organization of the railway. The Chief Accounts Officer's function of keeping his accounts in an efficient and economical manner for which he was responsible to the Controller of Railway Accounts was hardly more important than his function in connection with management. He had no incentive to assist the administration to whose Chief he was not responsible and it was not altogether surprising that complaints existed. The only satisfactory solution, according to that Committee, was to place the Chief Accounts Officer entirely under the Agent.

6. This recommendation was endorsed by the Railway Enquiry Committee of last year. They recommended, following British Railway practice, and the recommendation of previous Railway Committees in this country that Chief Accounts Officers and their staff on State-managed Railways should be definitely regarded as being responsible to the respective Agents, permission however being granted to the Chief Accounts Officer to correspond directly with the Financial Commissioner of Railways—but with the knowledge of the Agent—on matters of finance.

7. Government are impressed by the weight of the opinion they have received in this matter from so many expert Committees and experts. The existing arrangement which treats the Chief Accounts Officer (who should be the trusted friend and adviser in all financial matters of the General Manager) as independent of him, and owing allegiance primarily to an authority outside his administration, tends, in Government's view, to be subversive of that unity and harmony which is essential to the successful working of the railway. It further tends, Government believe, to weaken in the General Manager that sense of responsibility for the financial prosperity of his undertaking as a business concern which it is of the utmost importance to retain. Government are, therefore, disposed to place the Chief Accounts Officers and their establishments to the fullest extent practicable under the control of the General Managers. Apart from the question of principle emphasized above, this transfer of control would, they believe, be conducive to the economy contemplated by the Retrenchment Sub-Committee of 1931, and to the efficiency of day-to-day administration, as it would eliminate the necessity for the reference of minor accounts establishment matters to an authority outside the railway concerned. The proposal would not in any way prejudice the requirements of audit and the interests of the Public Accounts Committee in regard to the information desired to be furnished to them. The Chief Accounts Officer would continue to have the right of access through the General Manager to the Financial Commissioner and any substantial financial proposal in regard to which the General

Manager and the Chief Accounts Officer were not in agreement would be placed before the Financial Commissioner with the views of the Chief Accounts Officer in his own language. Except in a matter of grave urgency, the General Manager would not give effect to the proposal till the views of the Financial Commissioner are received. The Financial Commissioner would also, in consultation with the Auditor General, continue to be responsible for all matters relating to the structure of the accounts and to the professional standards to be required in members of the accounts establishments. As a Member of the Railway Board, the Financial Commissioner would continue to deal with the appointment, promotion and postings of gazetted officers, though every effort would be made to localize such establishments and identify their interests with a particular railway.

8. This matter has been discussed freely with the Auditor General, who is, however, in some doubt as to the advisability of the change contemplated, both from the purely accounting point of view and that of adequate financial control. He feels that the latter might be weakened instead of strengthened by the change. Nor is he convinced that the present system has been clearly shown to be defective. He is not, however, indifferent to the weight of the opinion on the other side, and recognises that particularly in view of the changes in the present system of financial and accounting control which the constitution of the Federal Railway Authority will involve, it would be to the advantage of all concerned to give a trial to the system favoured by Government. It is, therefore, proposed to institute an experiment on the lines indicated in paragraph 7 of this memorandum on two selected railways. The details of this experiment are under the consideration of Government.

APPENDIX XV.

Summary of the approximate financial results of Indian State-owned Railways in 1937-38.

Approximate figures of Railway Revenue and Expenditure for 1937-38 which are now available show a surplus of about 275 lakhs which is nearly 8 lakhs less than the Revised Estimates made in February last and is better by about 130 lakhs than the actuals for 1936-37 (*i.e.*, excluding Burma Railways).

Railway Revenues have been steadily improving since the beginning of the year 1936-37. The sign of improvement was evident in the last 5 or 6 weeks of the year 1935-36.

Gross Traffic Receipts of State-owned Railways for 1937-38 amounted to about 95 crores or about 3 crores more than in the previous year.

Ordinary working expenses (excluding Depreciation) amounted to 50½ crores or 2¼ crores more than in the previous year. The amount set apart for Depreciation being 12·57 crores as in the previous year.

Net Traffic Receipts amounted to 32·07 crores and were one crore more than in 1936-37.

Miscellaneous transactions resulted in a net expenditure of 4¾ lakhs against 22 lakhs in the previous year.

The net Revenue available for meeting interest charges was 32·02 crores or about 1¼ crores more than in 1936-37.

The total interest payable was 29·27 crores as against 29·39 crores in 1936-37, *i.e.*, about 12 lakhs less.

There was a surplus of about 2¾ crores during 1937-38 as against a surplus of about 1½ crores in 1936-37. This surplus will be paid to the General Revenues as contribution from railways, it having been decided to postpone for three years the repayment of loans taken in previous years from the Depreciation Reserve Fund to meet loss in working. This amount is, however, short by 1½ crores of the actual amount of contribution due for the year.

The appropriation to Depreciation Fund was 12·57 crores and the amount withdrawn for Renewals amounted to 8·00 crores. The net accretion to the fund during the year was 4½ crores.

The actual balance at credit of the Fund (excluding Burma Railways) now stands at 19¼ crores, and the nominal balance at about 49½ crores.

The total capital expenditure is just above ½ crore. The Stores balances have however increased from 8¾ crores at the end of 1936-37 to 9¼ crores at the end of 1937-38.

At the end of 1937-38, the liabilities of Railways amounted to 62½ crores, of which 30¼ crores represent loans from Depreciation Fund and 32¼ crores unpaid contributions due to General Revenues from 1931-32 to 1937-38. It has however, been decided that the railway revenues should not be liable before the 1st April 1940, or before the fixation under Section 187 (1) of the Government of India Act, 1935 of the sum thereina referred to, whichever is earlier, to repay to the Depreciation Reserve Fund maintained for Indian State-owned

railways, the balance outstanding on the 1st April, 1937 of loans of 30½ crores taken from the Fund to meet Railway deficit or to pay to General Revenues any contribution due in respect of the period from 1931-32 to 1936-37 amounting to 30¾ crores.

The ratio of ordinary working expenses to Gross Traffic Receipts was 53 per cent. against 52½ per cent. in the previous year.

The ratio of total working expenses (including Depreciation Fund) was 66 per cent. as for the last year.

The ratio of net revenue to the capital at charge was 4.25 per cent. against 4.00 per cent in the previous year.

Taking all class I Railways together (except Jodhpur and H. E. H. the Nizam's State Railways) goods earnings in 1937-38 were approximately 0.91 crore higher than in 1936-37. The increase was mainly under coal and coke, wheat and metallic ores.

There was a decrease of 10 lakhs approximately under other earnings

The coaching earnings were about 1.71 crores higher than in 1936-37.

State Railways excluding Burma Railways.

					In crores.	
					1937-38	
					Revised estimates	Latest Approximate actuals
					1936-37	
Gross traffic receipts	..	..	..	91.79	94.25	95.00
Ordinary Operating Expenses	..	..	..	48.16	49.54	50.36
Depreciation	..	..	..	12.57	12.57	12.57
Net Traffic Receipts	..	..	..	31.06	32.14	32.07
Net Miscellaneous Receipts	..	..	..	— 22	— 07	— 05
Total Net Revenue	30.84	32.07	32.02
Interest	29.39	29.24	29.27
Deficit (—)	}	+1.45	+2.83	+2.75
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REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF 1936-37

VOLUME II—EVIDENCE

PART II—RAILWAYS.

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NOTE.

Since the discussions of the Committee are of an informal character the stenographers' record of the evidence is necessarily incomplete and verbal accuracy cannot be guaranteed. The contents of this volume should therefore be regarded merely as illustrative of the proceedings, which are printed in volume I.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

VOLUME II—EVIDENCE.

PART II—RAILWAYS.

Tuesday, 14th July 1938, 11 a m

Mr Satyamurti With regard to paragraph 2 of the Railway Board's note, it is said. "The reports received from these administrations (*i e.*, B. and N. W. R. and R. and K. R.) show that it has been found possible to close the accounts early." What about the other railways? What is the procedure followed by the B., B. and C. I. Railway?

Mr Wilson Practically the same procedure as is recommended in our letter.

Mr Satyamurti I want to know particularly with regard to these two Railways as the statement is somewhat ambiguous. What I want to know is this—whether there are cases of delay which in your judgment are too long? What about these two Railways accepting your procedure? Is there any difficulty on their behalf?

Mr. Sundaram They have no such cases and therefore no action on their part is necessary.

Mr Satyamurti All the accounts are completed within normal times?

Mr. Sundaram Yes.

Mr. Satyamurti With regard to paragraph 3 of your Memorandum on the compilation of State Railway Codes, is the printing over now?

Mr. Sundaram Some of the items have been printed and some are still in the press.

Mr. Satyamurti When do you expect all these three items to be finished?

Mr. Sundaram In a month or so.

Mr. Satyamurti With regard to paragraph 4, what is the latest progress?

Mr. Sundaram Something like 50 per cent. has been done.

Mr. Satyamurti You hope to finish the rest before the end of the financial year?

Mr. Sundaram Yes.

Chairman May I ask a general question? You have got a great many Codes which run into a large number of pages. Is it not possible to get that number reduced by about nine-tenths?

Mr. Badenoch We have made the criticism that there has been an over-elaboration of Codes.

Chairman: In my opinion the amount of regulations ought to be cut down by about two-thirds.

Mr. Satyamurti May I know what happens in England, for example?

Chairman They have not got State Railways there. All I can tell you is that in England there is an Order in Council which regulates the conditions of civil servants for which there are about 22 volumes of regulations in India. This Order in Council is a small one and it covers about 10 or 12 pages, and the rest is done by the establishment officer in the department in consultation with the Treasury.

Mr. Satyamurti. I should like to know from the experts who are running these railways as to what they think of the Chairman's suggestion?

Mr. Sundaram We have divided our Codes into the mandatory portion and the recommendatory portion. As regards the recommendatory portion, we have laid down certain general uniform rules and given discretion to the local Agents to depart from them in consultation with the accounts people if the main objects are satisfied. A good deal of it is merely standardising of what we consider to be the best system prevalent on certain railways.

Mr. Satyamurti: What is the relation between the mandatory and recommendatory portions?

Mr. Sundaram. A substantial amount of discretion has been given to the local Agents provided the local Chief Accounts Officer and the Audit officers are satisfied.

Mr. Satyamurti With regard to the recommendatory portion, why not drop it altogether?

Mr. Sundaram. At present what is happening is that a very good procedure is being developed and we are trying to bring that procedure to the notice of the other people.

Chairman. If the criterion is better procedure, then your regulations will run to several thousands of pages and it seems to me that life is too short to go through all this.

Prof. Ranga: And in spite of all these regulations they dismissed a wrong man in place of another and it took us several months in the Legislative Assembly before we could get justice done. If these regulations were not there, it would have been still worse.

Chairman. If people were accustomed to use commonsense and not to look at regulations, the dismissal of the wrong man would not have occurred. May I ask, in general terms, whether it is not possible to reduce enormously the application of these regulations and still lose nothing in the protection of individuals and the reasonable uniformity of practice?

Mr. Wilson: I think perhaps you know my views. In my opinion the building up of these regulations is like putting into a machine an additional number of wheels whose only business is to slow the machine. During the last 28 years I have seen the number of Codes go up rapidly. There are officers who carry out instructions exactly according to the regulations with the result that there is delay. That is inevitable.

Chairman. You think that the regulations are overlapping?

Mr. Badenoch: That is the criticism we have passed on some portions of these Codes which were sent to us and we have authorised the Director of Railway Audit to communicate this to the Railway Board.

Chairman. I should like the Committee to place on record the opinion that the Railway Administrations should be asked to examine whether the volume of these regulations should not be materially cut down.

Mr. Badenoch. May I explain that the Auditor General is also revising his Codes? The Audit Code is a big thing and covers about 500 pages and we are trying to reduce it to 100 or 150 pages at the most. We are keeping those rules which are really important and which everybody must know. Apart from those we have a Manual which prescribes a model procedure. We issue this as a model procedure for all offices but it is not absolutely binding on them. In a large number of cases we give our Accountants-General discretion to depart from the model procedure if they have a better system of working locally. That is the principle on which we are revising our own Codes.

Mr. Satyamurti. What are the main objects of these codes? I take it to ensure efficient, just and honest administration. Why do you prepare these codes?

Mr. Sundaram. Unlike the audit codes, these codes are primarily intended to regulate executive procedure, relating to the engineering, station staff and so forth. We are really trying to set down here what is actually being done.

Chairman. I suggest that the Committee should say that we understand that the Director of Railway Audit has suggested some curtailment in these regulations and the Committee *prima facie* think that there is a good case for such curtailment.

Prof. Ranga. I do not want that this Committee should give a specific direction for curtailment of the codes. I think the Committee should say that the question of curtailment should be examined.

Chairman. The opinion of the Auditor General is that they should be curtailed.

Mr. Wilson. The Audit department have found that certain of the regulations can be dispensed with. We shall certainly not object.

Chairman. The consensus of opinion seems to be that it is desirable to curtail these codes and I think the Committee should express its opinion strengthening the hands of the railway department.

Mr. Das. Might I suggest that the Financial Commissioner and Mr. Sundaram should examine this question and submit their report next year as to what are the regulations which they consider obsolete?

Chairman. The Committee cannot possibly set themselves up to judge of the adequacy or inadequacy of the regulations covering several thousands of pages. They can give a lead that in accordance with the views of the Auditor General the regulations should be cut down as much as possible.

Mr. Satyamurti. I agree with Mr. Das' suggestion that this should be examined and a report submitted next year.

Chairman. *Prima facie* codes which cover several thousands of pages are too long. The audit authorities support that view. They have found specific instances in which the codes are absurd. I therefore suggest that the Committee should in commenting on this report suggest that the further stages of the work should include a stage in which the railway authorities should consider whether the codes cannot be cut down to the maximum possible extent consistent with efficiency and the interests of the staff.

Mr. Satyamurti: Paragraph 6. What is the revision of instruction referred to in this paragraph?

Mr. Sundaram: It will be in the form of certain samples

Chairman: I have had some discussion with the Financial Commissioner. I think when Dr. Gregory has time he will be able to help in the preparation of railway Statistics. This general question can then be reviewed.

Mr. Satyamurti. Re auction sales on railways, what is the difficulty in demanding money before the goods are removed? I want to know why there is this enormous delay in compelling one railway, the G. I. P., in adopting this commonsense view that money should be paid before goods are removed?

Mr. Wilson. It is only in one case that the man has become bankrupt. Till now nothing of the kind has happened. It is questionable whether we should alter the whole procedure because of one accident. It is a normal commercial risk. These sales relate to scrap. The man can only buy when he gets notice that a ship is available to carry the scrap. On the date the ship arrives the man may not have the money to clear the goods after payment. Till now we have been dealing with good auctioneers. In 99 cases out of 100 nothing goes wrong. This particular man went bankrupt, and so all this trouble has arisen. We are now examining the suggestions of these companies.

Mr. Satyamurti: I do not know how far it will benefit the railways if you use this phrase 'trust fund'

Chairman: It is a guarantee fund.

Mr. Wilson: But no insurance company will guarantee against bankruptcy.

Mr. Satyamurti: The railway companies should take care to see that the auctioneer is financially sound?

Mr. Sundaram: This particular auctioneer was a long-standing auctioneer.

Mr. Satyamurti: Item 4 of the outstanding items. With regard to this note you have given us, why is there so much difference between the cost of job analysis and the savings effected, from railway to railway? Take the different railways in 1936-37 for instance.

Mr. Badenoch: That shows it must have been very good before in some railways.

Mr. Satyamurti: Do the Railways keep an eye on this to see that in those railways where there are large savings you apply the pruning knife a little more ruthlessly and see if you cannot get more economies? I agree that there is ample scope for retrenchment and savings.

Mr. Wilson: This is only the sum total of a number of items. If you saw item by item you might not suggest there should be more pruning.

Mr. Badenoch: It is very difficult to judge from these figures alone because it is likely that a lot of these figures are overlapping.

Mr. Wilson: Then there are two things. There are officers specially on job analysis looking round for sources of savings. You have also other officers doing the same thing. And it is rather difficult to discriminate

the sources which are tapped by the officer on special duty and the other officers who are making savings in the course of their duties.

Chairman: Another thing is that the figures do not discriminate between savings due to cheaper methods and savings due to reduction of traffic

Mr. Wilson: That is another difficulty.

Mr. Satyamurti: Is there any likelihood of this job analysis itself becoming too costly?

Mr. Stalg: I am definitely supposed to keep a watch over that.

Mr. Satyamurti: With regard to the intensive use of locomotives you say, "...a reconsideration of previously approved scrapping programmes and a limited replacement of stock already scrapped" I think that shows that you scrap them too lightly or you think you can use worthless material on the Indian railways

Mr. Wilson: It is extremely difficult to say what is going to happen to world trade and we have got to ensure that we do not go short of stock. We have got to watch the trend of traffic and to anticipate what is going to happen three years hence; so that it is very difficult to make our stock exactly follow the day to day traffic

Mr. Satyamurti: Then in the case of the E. I. Railway the number is increased from 1529 to 1542.

Mr. Wilson: I can give you particulars of that. The E. I. Railway requires more locomotives. At present the price of locomotives is prohibitive and the business manager has to decide whether he will rehabilitate some of his old locomotives and keep them going for another few years until the price comes down. After careful consideration it was decided that certain locomotives can be rehabilitated to last a few years in anticipation of the price coming down.

Mr. Satyamurti: Do you take expert advice as to the life of the engines?

Mr. Wilson: We are experts ourselves

Mr. Ramsay Scott: On these figures of locomotives, the G. I. P. figures seem to be ahead of the others. What steps are being taken in the three other railways to bring them up to the required standard?

Mr. Wilson: The figures are not comparable because the railways are not laid in the same way. Then some railways have a large number of one type of locomotive so that it is possible to pool. Others have different types of locomotives which it is not so easy to pool

Mr. Ramsay Scott: On page 2 you refer to the inspection by the mechanical officer on special duty. Is that report satisfactory?

Mr. Wilson: It has not been fully examined yet.

Prof. Ranga: With regard to these 13 locomotives you have decided to retain on the E. I. Railway, have they been rehabilitated or have you simply decided to use them as they are for some more time?

Mr. Wilson: They will be rehabilitated. We are putting new boilers on to these. The cost will be less and these engines are working in the colliery sidings. We find that reboiling will be sufficient to keep these engines going

Mr. Satyamurti. You say. "The application of experimental bearings approved by the Board to locomotives is well advanced and the first locomotives conforming to these new designs have commenced to leave the workshops" Do you manufacture locomotives?

Mr. Wilson. These are the designs and bearings. We design, make and fit these bearings in our own workshops.

Mr. Satyamurti. Will this experiment result in giving longer life to your locomotives?

Mr. Wilson. It will keep them on the road for a longer number of hours per day. You may get longer life or shorter life but you get more intensive use and you can do with a smaller stock of locomotives.

Mr. Satyamurti. Has it been found that it is beneficial to the tax-payer?

Mr. Wilson. Yes.

Mr. Satyamurti. With regard to paragraph 4, what is the net financial gain to us by this intensive use of coaching stock?

Mr. Wilson. A reduction in the number of coaches maintained.

Mr. Satyamurti. With regard to paragraph 5 on page 3, is this decision final, to drop the proposal to centralise the manufacture of coaching bodies?

Mr. Wilson. Yes, so far as I know.

Mr. Satyamurti. Is it not financially possible, or what is the idea?

Mr. Wilson. We have got a number of shops now. I personally have not been into this question, but if you concentrate all the work in one shop, you would have very heavy capital expenditure to increase the size of that shop and all the capital which you have laid out in the other shops would be lying idle. You would also be concentrating all your labour in one place. These are the disadvantages which seem to be immediately apparent.

Mr. Satyamurti. Have you come to any conclusions with regard to drop stampings?

Mr. Wilson. It is under investigation but I think it might well be done at one place.

Mr. Das. The Raven Committee in 1927 recommended the shutting down of some small workshops and they made some very valuable suggestions which were not followed. That would have resulted in some savings.

Mr. Wilson. You can see that a large number of them have been shut down.

Mr. Das. But not to the extent recommended, and I am suggesting that it should be further explored.

Mr. Wilson. We have concentrated the manufacture of wagons at Tatanagar.

Chairman. And they are making metre gauge engines at the workshops of the B., B. & C. I. at Ajmer for other railways which formerly they had no power to do.

Mr. Satyamurti. It seems to me that more intensive efforts should be made.

Mr. Wilson. I assure you that we are entirely in favour of that. And this intensive use of locomotives and running them over longer lengths has resulted in our shutting down numerous minor shops. We are all the

time trying to find means of concentrating a larger amount of work in a particular place. I can assure you that your objective and our objective are one

Mr. Satyamurti In paragraph 6, may I know what is the latest position with regard to these uneconomical wagons?

Mr. Wilson That is the latest position as given in our note in the blue-book.

Prof. Ranga You don't give us any indication as to the trend of those replies?

Chairman These replies are now receiving the Railway Board's attention.

Mr. Satyamurti How many uneconomical wagons are there and what steps are you taking to make them useful?

Mr. Wilson This is a point which is exercising the minds of all experts,—when does it pay to repair an uneconomical wagon and when does it pay to have it replaced. I assure you the border line is extremely fine. We are all interested in the same thing, and that is, in producing the most economical article. When you get a wagon, a large part of which will have to be replaced and only a small part can go on, we have to decide whether it is economical to scrap the whole wagon or make the replacements, and in certain instances we have decided, rightly or wrongly, to recondition certain uneconomical wagons but you can never tell how long they will last. The border line is very difficult to determine.

Mr. Satyamurti But you can say what an economical wagon at a particular time would cost for repairs or replacement?

Mr. Wilson We do hope to be able to state that even more definitely now. At one time we could not obtain the individual costs of maintaining the different types of wagons. It is not possible to say how much it would cost to repair an uneconomical wagon. If the G. I. P. owns a wagon and it is on the lines for about 3 years, between the time it goes out of the shop and comes back again it goes into a hundred different places, and no separate record can be kept of the expenditure incurred on each particular wagon. That would be a colossal task. What we have been doing in recent months is to make checks at various depots of the expenditure incurred on particular types of wagons, and these statistics may indicate to us which wagons are costing us too much to maintain. If a wagon is costing three times as much as another wagon, we may scrap it and buy a new one. We are pursuing all these questions very carefully.

Mr. Satyamurti Have you any figures with you with regard to other railways to show how many uneconomical wagons have been included in the replies you have received?

Mr. Wilson We have to investigate and decide what is really the cost of maintaining these wagons. Recent statistics we hope will give us some indication, and from these statistics we will have to decide how many are uneconomical. We set up a committee of railway officers, and they decided that at certain depots certain types of repairs should be carried out to certain types of wagons.

Prof. Ranga There must be some idea of the approximate number of wagons?

Mr. Wilson I have not got more information than what I have already given you

Mr. Das There are about 2 lakhs of wagons on all the Indian Railways. Why do not the other Agents of Railways point out that there are thousands of uneconomical wagons which can be reconditioned. My point is, the Railway Board should find out how many uneconomical wagons there are which can be reconditioned, and should furnish a statement for every Railway

Mr. Wilson We have decided to recondition some of these wagons, and having decided to get more information as to what is economical and what is uneconomical, we set up this Committee

Mr. Satyamurti I want to know when this Committee will finish its labours and when we can have an account of all the uneconomical wagons in Indian Railways and what you propose to do

Chairman. Let us recommend that as soon as possible during the year a report should be submitted by the Railway Board when they finish their review

Mr. Wilson. We will be able to give you a report next year.

Mr. Satyamurti Now, on the question of combining resources, can't much more be done? As far as you have gone, the thing has been very beneficial, but can't more be done?

Mr. Wilson. There again the result of these experiments is not conclusive. We are proceeding cautiously at present.

Mr. Satyamurti Now on this question of ticketless travel, do you propose to take no other steps except what you have mentioned here? Can't you take any administrative steps even now to bring down ticketless travel?

Mr. Wilson We have taken hundreds of steps, it is one of the things on which we are concentrating

Mr. Satyamurti: Have you seen any results?

Mr. Wilson. Yes, but what is the use? My Advisory Committee to whom I gave the results of the expenditure say that we are spending more than we are getting. We start off by putting in ticket collectors who charge excess fares, and my Advisory Committee say that their wages are far more than what we collect from the ticketless traveller

Mr. Satyamurti. My feeling is that railway travel in this country can be improved only if you put down the evil of ticketless travel

Mr. Wilson. This is a matter in which we must have the help of the public.

Mr. Satyamurti. You can't ask us to become C. I. D. men.

Mr. Wilson. It is the same case with beggars and hawkers. If the public won't help us, we are absolutely helpless. If you don't say 'I object to this man begging or hawking'. I can do nothing, we are absolutely helpless.

Mr. Satyamurti. The Railway people certainly cannot hold up their hands in despair. I am keen on third class travelling amenities being improved, and you can never improve those amenities unless you can put down ticketless travel.

Mr. Wilson What we feel is that you don't give us a square deal in the way you criticise us. Now, you have Advisory Committees which meet every month or every quarter, and we discuss there all problems. I lay all my cards on the table, but you seem to think we are doing nothing. We are doing everything that is possible within the law.

Prof. Ranga. In regard to third class passengers, I think I am the best expert here. On many occasions I have myself tried my best to get rid of these beggars and hawkers, I have often called the Station Master and asked him to remove those people, and the response was not quite satisfactory. I did not get sufficient co-operation from the railway people.

Mr. Satyamurti Mr. Wilson, even your own people are helpless. Last year there were 28.48 lakhs people caught and the loss is 26 lakhs. I presume there are many more who have not been caught. I think we must do something together, but I am afraid that access to your stations is quite free and unrestricted. Anybody can get in and get out.

Mr. Wilson Just imagine the position. You have got a station master at a wayside station, who has to issue tickets, check tickets and also do other duties. The train comes in, which is about 800 ft. long. When a train comes in, about 50 passengers jump down on the wrong side of the train. What can one station master do at these wayside stations? At the larger stations we have proper ticket checking staff. At all our big stations where we can afford to have fencing and also sufficient staff, there you don't find much ticketless travel, but it is extremely difficult to control or check ticketless travel at wayside stations. The cost of fencing all wayside stations with unclimbable fencing would be prohibitive.

Mr. Satyamurti: Your checking staff has proved beneficial so far?

Mr. Wilson: Yes.

Chairman: Do we want as a Committee to record an exhortation that the administrative measures with regard to ticketless travel should be pursued and intensified?

Mr. Satyamurti I think so.

Mr. Wilson May I suggest that when the minutes of the proceedings of these meetings come out, the impression given to a railway man is that you consider they are doing nothing. I do assure you that we are doing everything possible to check ticketless travel, and if we could feel that you are with us, it would go a long way to encourage us.

Mr. Satyamurti: If the Chairman agrees, I have no objection to add a paragraph that generally we are satisfied with the measures so far taken.

Mr. Wilson It will certainly help us.

Chairman: I will try and draft something which will cover the points of view in regard to ticketless travel.

Prof. Ranga: The railway police who are under your control don't do their job properly.

Mr. Wilson: The railway police are still under the Provincial Governments. But we believe we are getting the very best co-operation from the Provincial Governments in this matter.

Mr. Satyamurti Now, with regard to saloons, I wonder if you have read last year's evidence. I think Sir John Nixon was in the Chair and

he helped us a good deal in putting some useful questions as regards the number of saloons maintained in this country. I take it you have resolved now not to build any fresh saloons?

Mr. Wilson. That is laid down; we are not building any saloons in 1939-40.

Mr. Satyamurti. I hope you are not doing extensive repairs to your saloons so as to practically re-convert them?

Mr. Wilson. No.

Mr. Satyamurti. Except such repairs as to make them run on the lines?

Mr. Wilson. We are only doing ordinary maintenance, we are not converting them.

Mr. Satyamurti. If you look at this matter from the point of view of this Committee, you will find that there are too many saloons maintained in this country?

Mr. Wilson. That is what we are investigating in detail.

Mr. Satyamurti. Conditions of travel and conditions of life are much better than what they were a few years ago when the saloons were provided. Today people can go and live in dak bungalows or railway bungalows.

Chairman. One of the arguments in favour of saloons is that people who use saloons have to work there.

Mr. Satyamurti. What about the Provincial Ministers? They have given up Saloons, and they travel in ordinary third class compartments.

Mr. Wilson. We are talking about the officer who has to go about from one place to another and work at wayside stations where there is no accommodation for him at all.

Prof. Ranga. At most stations today there are railway bungalows or dak bungalows.

Mr. Wilson. You may only talk of important stations, but what about wayside stations? A railway man has to go to every station on the line.

Prof. Ranga. You don't stop at every station?

Mr. Wilson. It is news to me. I have been an executive engineer and I had to stop at every station.

Prof. Ranga. An executive engineer can afford to work without a saloon.

Mr. Satyamurti. Let me say this, that wherever you are convinced that an officer has got to travel to wayside stations and cannot get accommodation, there he may have a saloon, but I don't see why Sir James Grigg should travel from here to Bombay in a huge saloon, and not use a first class compartment. Why should he not travel in an ordinary 1st class compartment, which is air-conditional now; why should he need a saloon now? Why should you travel in luxury trains of the Moghul days? You can get breakfast at every dak bungalow, and after you finish your business, you can get back to your compartment. I am not making any accusations, but I am merely asking you to examine this question as to whether you cannot keep these saloons down to the minimum. I don't want all these high officers who can afford to go about and stay with friends or in dak bungalows to have these luxury saloons.

Mr. Badenoch With regard to high officials of Government using saloons, this is not a matter for the Railway Board to consider. It is really a matter for the Government of India

Chairman Mr. Wilson said that they are examining the question whether in regard to their own officers saloons are required for work, and as I understand him he has undertaken to restrict the supply of saloons to the minimum required for the efficient despatch of railway work

Mr. Satyamurti I hope we will have a report next year?

Mr. Wilson Yes

Mr. Satyamurti No 6—Free passes Don't you think that the number is too high?

Prof. Ranga Why is it that the number of passes issued to first class officers has increased so much?

Mr. Scott Each first class officer is entitled to ten passes a year

Mr. Satyamurti Why should he get so many? It seems to be too much

Prof. Ranga You have shown an appreciable reduction in regard to second class, also inter class.

Mr. Satyamurti Of course, there has been considerable progress from 1933 figures But I think it is worthwhile pursuing the matter I do not think these passes are to be considered as part of their wages

Mr. Wilson All over the world it is a privilege given to railwaymen

Mr. Satyamurti Comparatively speaking, do you think that a first class officer on an English railway will get ten passes a year?

Mr. Wilson Yes. Most railways give him a card pass and he travels free with it

Prof. Ranga Not over such large distances

Mr. Satyamurti Are these passes called for in the interests of efficiency of the service?

Chairman It is a privilege of the service

Mr. Satyamurti It is in addition to the emoluments?

Mr. Wilson This is a privilege which is accorded to the railway people. Officers used to have unlimited privilege in travel, but now they are allowed 12, that is to say, they make six journeys

Mr. Satyamurti Ten passes—that is, they do five journeys a year?

Mr. Wilson Yes. It is not excessive compared with the railways in the other parts of the world

Chairman These passes have been cut down, and there is an obvious substantial diminution, and we might leave it at that.

Mr. Satyamurti That year the second class officer journeyed twice, inter class about twice, and third class just once or slightly more than once.

Mr. Wilson Among third class officers there are a lot of gangmen who never travel There are a lot of clerks who take full advantage of the number of passes. There are many who never take a pass at all

Prof. Ranga Even then there must be some room for improvement in regard to the first?

Mr Wilson drew attention to the explanation in the Note. The officers who had metal passes were allowed to use their metal passes at all times, but from the 1st January 1937 the use of the metal pass was restricted to duty journeys only and special passes must be taken for other than duty journeys, so that the number of people who travelled has not increased. It simply means that the number of passes issued has increased.

Mr. Satyamurti: Does it include duty passes?

Mr Wilson: No.

Chairman: We had better leave this till next year. We come to No. 7.

Mr. Satyamurti: There is no note on that. You have told all the railway authorities that they must give better explanations.

Mr. Sundaram: Yes.

Mr. Satyamurti: No. 8. That has been done this year.

Prof. Ranga: No. 9. Lump sum cuts. If we look at this table for 1937-38 you will find that there is still room for more effective cuts.

Chairman: Not in bulk. There are variations in detail but on the whole the figure is about right and the next question is the distribution and that will be examined too.

Mr. Satyamurti: I merely want the Railway Board to have a keen eye about the financial rectitude of these railways. Some railways very nearly spend what they provide for and they must be encouraged. There are some other railways which merely speculate, they do not spend but still ask for money and they must be punished.

Mr. Wilson: I can give you very good reasons for 1933-34. The programmes had been made out but when this slump was developing I happened to be the Chief Engineer of one of the railways. I cut down the allotments with the result that there were many variations, but from your point of view I was not managing the railway properly.

Mr. Satyamurti: If the slump was an unforeseen and unforeseeable thing and therefore in order to save the tax-payer's money you omitted some of the works, you would not find even me blaming you. But to ask for two crores and spend only 75 lakhs—I will show you when we come to the appropriation accounts. There are cases where you do it for the benefit of the tax-payer, but very often it is done merely

Chairman: On the other side, let me say one thing in regard to capital works—the question is whether a commercial concern is to be tied down to an annual budget for capital works. We have made a change in the post office and I am not sure that it ought not to be done on the railways.

Mr. Satyamurti: But let the railways first become solvent before we think of capital works.

The Committee then adjourned for lunch till 2-30 p.m.

Tuesday, the 14th July 1938, 2-30 p.m.

Mr. Satyamurti We are now on item 10 of the statement showing action taken on the recommendations of the Public Accounts Committee. How does it happen that the Railway Board issues certain instructions and in spite of these instructions there is provision of expenditure under depreciation fund?

Mr. Staig Oversight.

Mr. Satyamurti My next point is that although provision was cut out by the Railway Board, no provision was made in the proper revenue demand?

Mr. Staig It is the mistake of the Railway Board's office.

Mr. Satyamurti I want to know how it happens. A mistake is found out. The same mistake is committed again in your office. You make no provision under the proper revenue head.

Chairman It is not a very large item.

Mr. Badenoch The more important point is this, whether they are going to charge these renewals to working expenses or to depreciation reserve.

Mr. Staig Until the new allocation rules came in it was continued to be charged to working expenses. At that time my predecessor decided that the amount was so small that he might as well allocate it with the rest of the expenditure and charge it to the depreciation fund. I understand that the Director of Railway Audit has raised this question afresh whether we should charge it to working expenses.

Mr. Badenoch I agree with Mr. Staig that the charge should go to working expenses on these worked lines.

Mr. Satyamurti You maintain no depreciation fund for these railways and therefore there is no alternative at all. For this particular year it was charged to working expenses.

Mr. Rajagopalan That was the rule at the time when it was changed. We want to go back to the older practice which is a sounder one.

Mr. Satyamurti As regards paragraph 2, it is said instructions have been issued as regards remedial measures. We found last year a wrong provision of 11 lakhs of stores returned from workshops.

Mr. Wilson Instructions have been issued.

Mr. Satyamurti Item 13. I suggest that when the Public Accounts Committee pass some solemn exhortations and the Railway Board takes the responsibility to send them on to the railway administrations concerned, they must follow it up and not wait till the next audit report comes three years later to see whether they are carried out.

Mr. Badenoch The Railway Board have issued orders and it is for the Director of Railway Audit to see whether a criticism of a like kind is justified in future.

Mr. Satyamurti Can he say anything now on the results of these instructions to these railways?

Mr. Rajagopalan It is too soon to say with regard to these particular instructions.

Mr. Satyamurti Has the deterioration stopped on the whole?

Mr. Badenoch I do not remember any particular criticism of the B. N. R. in this report, though criticisms were once levelled against that railway.

Mr. Satyamurti Item 15. We made a recommendation that an investigation should be made into the methods of budgeting so as to avoid large variations between estimates and actuals.

Chairman. When the item is a transfer of a residual amount and the variations in the residual amount produce large variations in the estimates this is merely an inevitable matter of arithmetic.

Mr. Badenoch. I do not really think this is a very substantial point in budgetary control. On the interest estimates, the suggestion was made however that you should calculate interest on capital outlay of the previous year. Actually on this basis there was going to be a definite loss of interest to general revenues.

Chairman. The point is whether some accounting arrangement could not be devised which would avoid this inclusion in the estimate of a residual amount.

Mr. Badenoch. Have it taken out of the grant altogether.

Mr. Satyamurti. How does the interest arise?

Mr. Badenoch. When you calculate interest, the rule at present is that the amount of capital outlay up to the preceding year *plus* half the capital outlay of the current year should be taken as the capital sum so that general revenues may lose a large sum in interest if the latter is omitted. If it is a year of heavy construction and you spend 10 crores, you lose interest on five crores.

Mr. Satyamurti. I see your point about interest. What about the contemplated depreciation reserve fund?

Mr. Badenoch. This again is not really a substantial point in budgetary control. You do not get mathematical accuracy, but there is no moral obloquy about the irregularity because the excess is due merely to an arithmetical result. There is no real increase of spending power given if you have a difference from the estimates.

Mr. Satyamurti. Is it not possible to be more accurate?

Mr. Badenoch. We might look into the accounting arrangement so as to remove the possibility of big variation.

Chairman. Would the Auditor General look into this and devise ways to avoid large variations between actual adjustments for transfers to and from the depreciation reserve fund and the estimates for these transfers?

Mr. Badenoch: Yes, I will look into this.

Mr. Satyamurti: Item 18. I want that the workshops should be worked to the full extent.

Mr. Wilson. That is our policy.

Chairman. The Committee made a recommendation last year and the thing now is to have a report about the progress next year.

Mr. Satyamurti: There are a few odds and ends in these notes. There is one letter dated 6th September 1937 sent by the Railway Board to

various railways about general budget control and our criticisms and our comments. I merely want to ask whether the exhortations in this letter are followed by the various railway administrations. Simply writing to them does not take things very far. Do you get periodical reports from these gentlemen as to how far they are following these instructions and so on?

Chairman I personally have no great faith in these reports. I certainly do believe that the Financial Commissioner and the Chief Commissioner should have more time to tour and see things on the spot, and discuss things. I think you can settle things quickly and a great deal more satisfactorily by the Financial Commissioner coming in contact with the individual railways than by correspondence.

Mr. Das Has not the Financial Commissioner close co-operation with the Chief Accounts Officers of the different railways?

Chairman That raises the question which I have got under consideration at present before me, that is the position of the Chief Accounts Officer in relation to the General Manager. The only occasion on which the Public Accounts Committee applied its mind to it, it was in favour of having it as the outpost of the Financial Commissioner. But all other expert committees have reported in favour of making the Chief Accounts Officer a part of the railway administration with access to the Financial Commissioner. I personally have come to the conclusion that the change ought to be made, though the Auditor General has some doubts about it. We have come to the conclusion that we ought to try the new system on two typical railways and that is what we are going to do.

Mr. Satyamurti Last year we reported specifically on this matter against this proposal. Surely you must ask our opinion. One of the recommendations of the Wedgwood Committee was that this change should be done. This Committee unanimously said that it ought not to be done. If the Government want to try this experiment, they must give us notice.

Chairman The reason why the Public Accounts Committee was doubtful about this in the past was because the Auditor General was doubtful. We are going to try this experiment on two railways. To the best of my recollection, the universal practice elsewhere is that the Chief Accounts Officer is under the General Manager of the railways.

Mr. Das In 1924 when the Assembly agreed to the separation of railway finance from the general finance, it was agreed that the Chief Accounts Officers of railways would be under the Financial Commissioner.

Chairman It is not proposed to deny the Chief Accounts Officer direct access to the Financial Commissioner whose post will be subject to your vote.

Mr. Das The Agent will treat the Chief Accounts Officer as his clerk.

Chairman The answer to that is that when you have a financial outpost who is the agent of somebody external to railways, there may be a tendency for the Agent to regard himself as not having to apply any independent financial scrutiny because there is somebody definitely responsible for that who is not responsible to him. As I say I share the view of many expert committees on this matter. I do not want to force my view on the Auditor General or on this Committee, but I do say it is entirely reasonable that the experiment should be tried on two typical railways.

Mr. Satyamurti. If you say so, Mr. Chairman, I want to enter a formal protest against this. Last year this Committee went into this matter on the Wedgwood recommendations and we recommended very deliberately knowing the ways of the Agents of Railways that if the Chief Accounts Officer is made a servant of the railway administration, we shall no longer have the small financial control which we now have. I want this protest to be recorded.

Chairman.—The Chief Accounts Officers are not under your control any more or any less than the rest of the Railway Board.

Mr. Satyamurti. I want the Financial Commissioner to be the boss of the Accounts Officers and not the Agents. The Agent is the spending authority. I do not want the spending authority to control the accounting authority. There are now Accounts Officers in the various railways who are under the control of the Financial Commissioner. I would like to add that I am always open to conviction. If you can convince me that from the audit point of view nothing is lost, I would reconsider my decision.

Mr. Badenoch. May I also state my position. If the matter is going to be discussed in the memorandum, I will make my statement to-morrow. But if you want my statement now, I will do so.

Mr. Satyamurti. You had better make your statement now.

Mr. Badenoch. The Auditor General has always been against the transfer of the Chief Accounts Officers to the control of the General Managers of Railways. He has always considered that the Railway Department is not only a commercial concern but it is also a Department of Government subject to budget control by the Legislature, that the better system is to have your Financial Commissioner of Railways who is really responsible for the appropriation accounts and financial control to exercise the control right down vertically. He should be in direct charge of the Chief Accounts Officers who should watch financial control on his behalf. Sir Guthrie Russell raised the question of the accounting organisation under the Federal Railway Authority. We had a conference last summer consisting of Sir Ernest Burdon, Sir Guthrie Russell, Mr. Staig and myself and the view was put to us that under the Federal Railway Authority there will not be a Railway Department of the Government subject to the ordinary Government control but that the authority will really work on business principles as is prescribed in the Act. If you are going to run the organisation on business principles, it seemed to us that there was a case for putting the accounts of individual railways under the General Manager. That is the ordinary business system. If the Federal Railway Authority considered that that was a suitable system under their control and organisation, we then agreed that we on the audit side could raise no objection at all. A memorandum of agreement was prepared on the basis of that conference. Recently it has been proposed that the change should be made in advance of the introduction of the Federal Railway Authority.

Chairman. I had better make it clear that the change was proposed on its merits without any reference to the possible or probable constitution of the Federal Railway Authority.

Mr. Badenoch. I will give the whole history of the proceedings. As the Chairman says the proposal was made that the change should be introduced in advance of the introduction of the Federal Railway Authority. I had a conference with the Financial Commissioner of Railways

and the Secretary of the Finance Department. I brought the obvious objections to any wholesale change. I said that there had been an undertaking on the part of the Government to maintain this system of direct relationship between the Chief Accounts Officer and the Financial Commissioner for Railways, that we considered that that particular organisation was more consistent with the present constitutional position of railways and that our impression so far is that the change is more likely to be prejudicial to the control than the reverse. I also maintained that there was no breakdown in the present system. If it failed, it probably failed in personality rather than in system. I admit that these objections are only *a priori*. If you are going to have a change under the Federal Railway Authority, then it is a perfectly valid claim on the part of Government that you should try out the proposed system on a small scale before the Federal Railway Authority is introduced so that both the Auditor General and the Government may know where they stand with regard to it. I concluded therefore that it is probably better to have experience on these lines than pursue a policy of mere negation. Actually, what may happen when the Federal Railway Authority is introduced is that a change may be made and the Auditor General may not know how he stands in respect of it. For instance, the Auditor General may have to impose an increased audit, he may have to increase the scope of his audit and the amount of audit. But we do not know anything about this so far. Speaking as Auditor General—and I think I am also speaking on behalf of Sir Ernest Burdon—I think there is nothing to be lost in agreeing to an experiment and we surrender none of our objections, but we think that there may be something to be gained by having this experiment as proposed. We had better try it, first of all, on a well paying railway like the G. I. P. and then perhaps on a non-paying railway in order to see whether the increased business control, which is claimed for the new system, has some effect in reducing the losses.

Mr. Satyamurti: Our constitutional adviser is against the system now.

Chairman: He has recommended that an experiment should be tried.

Mr. Badenoch: I recommend the experiment without reservations but I do not withdraw any of my remarks.

Mr. Satyamurti: We refuse to be parties to this experiment being tried.

Chairman: Perhaps you might ask the Chief Commissioner to give his views.

Mr. Wilson: I would prefer to give my views after these gentlemen have read the memorandum.

Chairman: I may tell the Committee the opposite view which was thrashed out in England in corresponding circumstances in 1921. If the head of an organisation is divorced from financial responsibility in favour of some subordinate of an external authority so that the financial control is conducted from outside, then the Agent or General Manager is prevented from having real responsibility for financial control. That being so, you deprive yourself of the energy and interest of the head of the railway in the financial administration of it. And as the Auditor General said, in any business concern, the person responsible for the financial conduct of the business is the head of it.

Prof. Ranga: In that case, there is no need for the Railway Board at all.

Mr. Satyamurti : I would rather keep our present system. I am proud of it. We will take up this matter to-morrow.

Mr. Satyamurti . There is another note by the Railway Board on the case mentioned in paragraph 25 of the Railway Audit report. It is with regard to certain over-payments of salary to a certain menial staff.

Mr. Wilson . The trouble arose, as most of these troubles do arise, out of a change of procedure. We have got staff on the railways under three different sets of rules. The G. I. P. rules, the fundamental rules and the State Railways rules and the wording of the different rules is open to various interpretations. For instance, the word 'subordinate' as laid down here sometimes applies to people excluding the inferior staff and sometimes it applies to staff including the inferior staff. Now, these two things together started this trouble. One was the change of rules and people were told that they would be informed in advance of the rules they would work under. The rule said that a subordinate would get so and so and the officers in some divisions understood that that excluded menials or the menials got something else. The result was that a few menials were benefited by getting more leave than was due to them. It took a good deal of time to settle this. The two divisions which were concerned were amalgamated in the middle of it and that caused delay.

Mr. Satyamurti . But we must do our best to avoid the repetition of such mistakes.

Mr. Wilson . I am very glad that this opportunity has arisen to state our point of view. I am only an officiating Chief Commissioner, but I can assure you that we are very careful about such matters. The trouble is that you only see our mistakes. We do a vast amount of work for which we get no credit. It is, after all, a very small thing.

Mr. Satyamurti . Then, we go on to the results of the electrification on the G. I. P. I should like to know if there is any possibility of making it a more paying proposition.

Mr. Wilson . A great deal depends on trade.

Mr. Satyamurti . Are you getting electric energy at the cheapest possible rate?

Mr. Wilson . We hope to get it at the cheapest rate in the near future.

Chairman : I agree with Mr. Satyamurti that we might discontinue these reports unless the Auditor General finds it necessary to bring anything special to our notice.

Mr. Satyamurti . Let us now take the letter of the 15th June 1938 with regard to railway frauds. Has anything further been done? I want to know if other railways are following the same system to prevent this fraud by using false or used tickets?

Mr. Wilson . On this question, a decision has already been taken by the Indian Railway Conference Association and that is being adopted by all the other railways.

Mr. Satyamurti . Paragraph 8 of the Auditor General's letter in which he says that he has satisfied himself that the appropriation accounts are generally in order. I merely want his comment on this.

Mr. Badenoch . The appropriation accounts are test-audited by the Director of Railway Audit and then they go to the Auditor General's office and the sections concerned go through them. We cannot take complete responsibility for every remark and figure in them.

Mr. Satyamurti. Utilization of the railway surplus. Now that surplus was actually devoted to reducing borrowings from the depreciation fund reserve, under the convention how would this amount be spent?

Mr. Badenoch. It is supposed to lapse to the exchequer, when it is devoted to another purpose there must be a vote. The Legislative Department have agreed now that a vote is required.

Mr. Satyamurti. Paragraph 5—what was the reason for this delay?

Mr. Staig. The points in dispute between the B, B & C. I Home Board and the India Office have now boiled down to four minor issues but the case has reached a stage where four railways have agreed. The B & N W Railway say that this convention is in accordance with their present practice.

Mr. Satyamurti. You hope to carry on the discussion with the B & N W Ry?

Mr. Staig. Yes.

Mr. Satyamurti. We will now take the Chief Commissioner's Review. Do you expect a period shortly when you will have to spend much more on renewals?

Mr. Wilson. Well there are certain of your assets to which a sixty years' life is allotted, others with 100 years of life. At some stage that money will have to be taken out of the depreciation fund.

Mr. Satyamurti. Is there any year you think in which you will have to spend much more than ten crores?

Mr. Wilson. About ten years from now there will be a huge number of wagons which will have to be replaced on an age basis and it is for this very reason that the depreciation fund has been invented. Formerly we made these renewals out of the current year's revenues which upset the accounts. The demands must vary from year to year and there will certainly be years when the demands on the Depreciation fund will be heavy.

Chairman. That is the actual rough and ready method of calculating the provision for the depreciation fund during the year. The ideal, according to my own personal opinion, is a reserve big enough to carry the railways' interest payments and the working expenses during years of depression. Supposing the railways continue to pay their way the surplus allocation is about five crores a year, and, say they get up to 20 crores, theoretically you ought to be able to reduce your depreciation allocation releasing, five crores or so. My own view is that long before you get to that, you ought to intercept half of that excess and use it for the repayment of capital.

Mr. Satyamurti. Paragraph 3. Average increase in the capital at charge. I see the railways have recovered sunk and won't again go back to 20 lakhs hereafter, whatever the profits may be?

Mr. Wilson. Of course the expenditure must depend on the demands.

Mr. Satyamurti. I am merely anxious to know that the Railway Board will see that capital expenditure must not be shot up in prosperous years, because they must always be afraid of lean years?

Mr. Wilson. We only put forward demands that are considered necessary and these are vetted by the Standing Finance Committee in detail.

Mr. Satyamurti. Note on p. 2, Ratio of working expenses. What is the position?

Mr. Wilson Coal prices went up

Mr. Satyamurti It was not an establishment and due to labour wages being increased?

Mr. Wilson. No.

Mr. Satyamurti. Can we be sure that in times of prosperity the Financial Commissioner will keep a careful watch?

Chairman Neither of us loses sight of any of these things

Mr. Wilson What is going to happen to railways at the next depression? No business concern would be run on these lines. We have to pay interest on the whole of our capital. There is no elasticity unless through a reserve equalisation fund, which we are not allowed to accumulate, so that every anna which is made beyond the working expenses and the payment of interest is taken away from us. My suggestion is that all this should be put to reserve.

Chairman There is no doubt that Mr. Wilson's view is right. I personally do not think the railways will be safe against a major depression unless there is a reserve of fifty crores. Mr. Wilson is quite right that at the next depression the railways will use up their reserves quite quickly and will then have to go to the general tax-payer.

Mr. Wilson. Everything that is made is taken away from us last year we roughly made after paying our contribution to depreciation fund 3 crores over and above our interest charges. None of this was placed to railway reserves. Suppose there is a recession involving a shrinkage of 10 or 20 per cent. in our earnings; in America it has been round about 40 per cent. Well, not only will our surplus be gone but we will not be able to meet our interest charges and, as I say no business concern can run on these lines. The balance in my view should be allocated to our reserves or to pay off capital in prosperous times. Our interest charges would then steadily decrease, instead of our capital steadily increasing.

Mr. Satyamurti: Why is it increasing?

Mr. Wilson. The capital is increased as we have to replace assets bought at low prices fifty years ago.

Chairman. I personally think that 30 crores is not sufficient to provide for slumps plus arrears of depreciation and replacements. At its peak your fund ought to be 50 crores. My suggestion is that when the reserve reaches 30 crores you should accumulate your fund at half the previous rate and use the other half of the excess towards repaying capital, and, if favourable circumstances last so long, when the reserve reaches 50 crores you could release the whole of the excess provision for depreciation towards repaying capital. But this process, on even the most favourable assumption, is an extremely slow one. The question is whether the central budget will be able to dispense with the railway contribution, there is no doubt that if it could do so it ought to bring about the acceleration of railway reserves.

Mr. Satyamurti. On page 5, with regard to the changes in classification, may I know why it has been altered?

Mr. Badenoch: The change was mentioned in the Financial Commissioner's review last year and was approved by the Public Accounts Committee.

Mr. Satyamurti Is this financially sound?

Mr. Badenoch Yes.

Mr. Wilson This first item (a) is going to prevent rocketing of capital which was in the past taking place. Before we introduced this, when we replaced an asset like with like, we charged only the original cost to depreciation and the difference in cost to capital. Now we replace like with like out of depreciation and do not increase the capital.

Mr. Badenoch This was in consequence of our pointing out that there was very rapid over-capitalisation going on because of the very allocation rule now altered. This is sound accounting.

Mr. Satyamurti With regard to paragraph 13 on page 6, I should like to know how far these changes in passenger earnings are due to changes in passenger rates.

Mr. Wilson This is probably due to motor competition which cuts in two ways. If you hold on to traffic you have to cut passenger fares. If you do not cut the fares there is less traffic. So our earnings are going down.

Mr. Satyamurti In your opinion does the lowering of rates increase the revenue?

Mr. Wilson Generally speaking, the lowering of rates yields less revenue.

Prof. Ranga There may be less revenue in the beginning, but do they not recover afterwards?

Chairman They tried the experiment on the N. W. R. but they made no profits.

Mr. Satyamurti Is it the policy of the Railway Board now to lower the higher class fares?

Mr. Wilson No, I do not think so.

Mr. Satyamurti In paragraph 33 of your report in 1936-37, you have given the reductions and increases of fares. You have also introduced the zone system. Have you found it a success?

Mr. Wilson Yes, although it has lent itself to terrible abuses.

Mr. Satyamurti Are you thinking of reducing third class fares in order to get more traffic?

Mr. Wilson We are always manipulating rates to see whether we can get revenue. It all depends on the motor competition. Where competition is severe, the fares are reduced.

Mr. Satyamurti In paragraph 14 you say, "The decrease of 26 lakhs is mainly under traffic from the lower classes." Do you mean third class?

Mr. Wilson Third and Intermediate.

Mr. Satyamurti I suggest that "lower classes" is not a very happy phrase. They should say "Third and Intermediate". What steps are you taking to meet that loss?

Mr. Wilson Manipulating rates and giving facilities.

Mr. Satyamurti Why not give more facilities to third class passengers?

Mr. Wilson We are doing it.

Mr. Satyamurti Why not provide fans on long distance trains?

Mr. Wilson. That will give less revenue.

Mr. Satyamurti But you will get more on account of more comfortable travelling

Mr. Wilson Our facilities do not give us the same money. During my experience, the standard of railway travel has been greatly increased but it has not brought more money. And we are providing the cheapest form of transport in India, for passengers as well as goods, coal for instance

Mr. Satyamurti Why do you charge so much less on coal?

Mr. Wilson. Because the industry cannot stand more.

Mr. Satyamurti The industry is paying big dividends and they can pay more.

Mr. Wilson: The trouble is that if motor transport is allowed to take long distance traffic which can reasonably be carried by the railways, it is going to be the ruination of the roads and the ruination of the railways

Mr. Satyamurti You must improve your method of long distance goods traffic which takes more time than the buses.

Mr. Wilson. Every additional facility means additional expense but we are trying to do it, e g, we have introduced a cotton Express from C. P. to Bombay.

Mr. Satyamurti Page 7 I want to know how this variation takes place.

Chairman. On the capital borrowed before 1917, that is the rupee capital, there is a fixed rate of something like $3\frac{1}{2}$ per cent. On the capital borrowed since then they pay the average of the rates in respect of the capital borrowed since 1917. It is an extremely complicated process. There are about 3 hundred crores borrowed before 1917

Mr. Satyamurti: We now go to para 17, expenditure. What is the procedure contemplated in para 18?

Mr. Wilson: That is to meet the revised estimate, that is the main thing.

Mr. Satyamurti. In para 21 I find there are one or two railways where the variation is somewhat striking. If you could have saved so much, you should not have asked for more.

Mr. Wilson. It all depends. You estimate at a certain percentage, but subsequently anticipations prove wrong.

Mr. Satyamurti: You are budgeting for increase in traffic ever since 1931-32.

Mr. Wilson: I think we will deal with that later.

Mr. Satyamurti. Para. 22. Can you give this Committee any instance in which any railway complained that any essential service was starved because of your cut?

Mr. Wilson: No.

Mr. Satyamurti: In Grant No. 6A, on page 12, you will find that the budget estimate for the year under consideration was 9 crores, but as a matter of fact the expenditure was 8.28, and if you will compare that

with the previous year you will find a striking departure, and the final surrender was only 1'1.

Mr. Sundaram· The explanation for it is given at page 23

Mr. Satyamurti· Then at page 13, Excesses, why was it necessary to go beyond the budget?

Chairman The Quetta earthquake was quite unavoidable.

Mr. Satyamurti. Page 15 Here it is said "The saving of 17½ lakhs under the voted portion was due chiefly to a net reduction of 8 lakhs in the cost of repairs of coaching and good vehicles" I am reading from the 3rd para.

Mr. Sundaram· At page 30 of the Appropriation Accounts the explanation for it is given.

Mr. Satyamurti Could it not have been foreseen?

Mr. Sundaram· There are so many types of wagons.

Mr. Satyamurti: Take page 21. Miscellaneous expenditure. I want the Ry. Board to set a better example. How long is this increased expenditure to be allowed to go on without consulting the House? Why don't you come up with supplementary demands? Can you revive a defunct job without the permission of the legislature?

Mr. Badenoch If it is not a new service, no supplementary is involved

Mr. Satyamurti But the budget was presented to the Assembly on the basis of this estimate?

Mr. Badenoch. You are not compelled to go to the Legislature for a new item of expenditure.

Mr. Satyamurti· Works expenditure not charged to revenue, at the bottom of page 23.

Chairman· That is capital expenditure. I would make a suggestion that the Railways in conjunction with the Auditor General might consider whether capital expenditure should be provided for, not by actual grant, but by creating a fund just as is done in the case of the Posts and Telegraphs, subject of course to parliamentary control.

Mr. Satyamurti Do you think it will help you?

Mr. Wilson· It will help in this way. At present we have got artificial barriers that the job must be done before the 31st of March. The man who is doing the job goes on doing it until it is finished, whereas you people looking on books get the impression that the money is not spent within that time. These budgets are drawn up by people some 18 months before the work is actually carried out, and they cannot foresee what is going to happen. This will come out in later discussions. Stores have to be indented and tenders have to be called for contract rates fixed, and so on. The man who does the job has got to look to his work, and not to the 31st of March.

Mr. Satyamurti: On the point of control, I take it that the Auditor General is satisfied that this block scheme would be all right?

Mr. Badenoch: It does not lessen the control in any way

Prof. Ranga: (Reads paragraph 39). It says the largest savings were under track renewals—½ crore.

Mr Wilson You will find an explanation at page 67 of the Appropriation Accounts

Chairman Prof. Ranga's point is this Are you satisfied that the railways are having an adequate provision for track renewals and are not storing up accumulation of work which will result either in increased expenditure in a few years or in accidents?

Mr Wilson I should say generally that the railways are doing their best.

Mr Satyamurti The first explanation given is, less expenditure under track renewals on account of less renewals of sleepers undertaken during the year. Are you satisfied that this has not affected safety?

Mr Wilson If you look at the explanation you will find that sleepers were not available in that year, they came after 31st March. As regards general expenditure on track renewals there is another explanation; we were able to buy sleepers at a very much lower rate.

Mr Satyamurti All that is stated here. Is it safe to postpone the replacing of sleepers to another year?

Mr Wilson: It may not be a year; it may be a month. We are here having this hard and fast date, 31st March.

Mr. Satyamurti: The only point is that safety is being taken into consideration and you are not putting off works which are absolutely necessary

Mr Wilson. There are two things there One is safety and the other is improvement to a higher standard for comfortable running. Safety we must and do take into consideration, but improvement to a higher standard can wait till more propitious times.

Friday, 15th July 1938, at 11 a.m

Chairman. The Chief Commissioner, if he likes, can make a statement with regard to the memorandum relating to the placing of the Railway Accounts staff under General Managers.

Mr. Wilson I understand that even the audit department admit that the system of efficient control over the finances of the railways which are company managed is, if anything, better than on State managed railways. The arrangement which exists on the company managed railways is the one which I desire very much for the state managed railways also. Prior to the taking over of G. I. P. and E. I. R. by the State, we had the same system in those railways. In my experience the method of working which I advocate is the best because you can get greater co-operation between the General Manager and his financial adviser.

Chairman You mentioned the Chief Accounts Officer as your financial adviser. If he remains the Chief Accounts Officer for external control, is there any tendency for him to become merely a critic and not a constructive financial adviser?

Mr. Wilson That is my impression.

Chairman That is the crux of the whole matter—whether he is to be a mere critic of technical irregularities or whether he is to give the benefit of his assistance in the actual preparation of projects wholeheartedly.

Mr. Wilson. In fact the audit and accounts of the company managed railways function in this way. The same efficiency can be had if the system I advocate is introduced on the G. I. P. and E. I. R. The difficulties which have been suggested by the audit department cannot to my mind take place. At one time it was suggested that the Accounts Officer would be far too much under the control of the General Manager for the purpose of promotion, etc. That is not so. The Accounts Officer is really directly under the Government of India in all respects for promotion, etc., just as any other officer. He is entirely independent of the Agent in this respect so that that argument does not carry any weight.

Mr. Ramsay Scott Will the Agent have the power to remove the Chief Accounts Officer?

Mr. Wilson: The Agent cannot get him removed. In fact he cannot remove any officer.

Mr. Ramsay Scott: Now there is dual control.

Mr. Wilson: Even under the system that I propose there is dual control. The Accounts Officer is working under the Agent, but he is appointed by the Financial Commissioner and this no doubt involves dual control.

Prof. Ranga: If he is put under the Agent, then he can subdue him. When you are his head you naturally have greater control over him.

Mr. Wilson: Once a General Manager comes under the State, that alters the whole of his outlook. It is never suggested that the General Managers of company managed railways have this attitude. Why should we want to subdue people?

Prof. Ranga: When you have a man under your direct control, you will naturally subdue him to a greater extent than when he is not under your control.

Mr. Wilson: In the company managed railways, the Chief Accounts officers are under the Agent and when the company system works very well, why should it not do so over the State managed railways. In regard to financial matters instructions are passed on to the Agents and it is their duty to carry out those instructions. This position therefore will not be altered under the system which is proposed at present. The methods of keeping accounts are settled by the Government of India and not by the Agents and they cannot be altered by the Agents.

Chairman: There is no intention of making any variation.

Mr. Wilson: I am trying to show you that I am as much interested in the financial side of the railways as anybody else is. I contend that in actual fact, there can be nobody as interested in the financial affairs of his railway as the General Manager. Nobody can have that personal interest which he has.

Prof. Ranga: It is the audit which is interested in the profits and losses of railways to a much greater extent. Otherwise there is no need to have the Auditor General. Everything can be left to the General Manager.

Mr. Wilson: The control which audit has at present over company managed railways is rather different than it has over the state railways because the company railways have an interest outside that which we have. Their allegiance is in some ways divided. They have to charge to capital as much as possible and relieve revenue to that extent. We have no such incentive. Therefore the difficulties which audit has are much less in the case of railways which are state managed than in the case of company managed railways.

Chairman: Perhaps I might ask the Auditor General to supplement if he likes the statement which he made yesterday.

Mr. Badenoch: I made it quite clear yesterday that I have as many doubts about the proposed system as anybody here. But this matter has been under discussion for over 10 years. It came up with the Ackworth Committee. I know it has been up again and again before the Public Accounts Committee and before other committees. There has been uniformly weight of opinion on the other side. I do not contest that there is this weight of opinion that the present system is anomalous and in my opinion we will get no finality to this discussion, which will go on for ever, unless we try out the system. I can assure the Public Accounts Committee that I should not agree to the experiment if I considered that I was surrendering anything of my doubts on the matter. I think the Public Accounts Committee as a Committee is committed to no change in principle if they agree to this experiment. The experiment has got a good deal to be said for it. There is no doubt that good grounds can be urged on both sides. If the Railway Board are prepared to hold their General Managers responsible, then the General Managers will not be able to get off on any excuse for bad financial control or for bad working out of projects. At present there may be a tendency to blame the other fellow because he is not immediately under the authority of the General Manager. If the Government will hold the General Manager absolutely responsible for the financial working of his Railway, for financial control and for all irregularities, then I think on the whole you may get a very much stronger control over individual railways than you have at present. That would be something gained.

Chairman. That is the crux of my attitude in this matter

Mr. Satyamurti. Are not the Agents to-day held responsible for the financial position of railways?

Mr. Badenoch. There is a tendency to say, "well this was put before the Chief Accounts Officer and he did not bring this to my notice"

Mr. Satyamurti. Can you give me any notorious example?

Mr. Badenoch. Examples occur practically every year. There is a certain divided responsibility at present. The General Manager says, well this is the business of the Financial Officer or the accounting expert who is not directly under my control.

Mr. Satyamurti. Has any Agent written to the Railway Board that he is not responsible for a particular thing because the Chief Accounts Officer did not bring it to his notice or that he was misled? I should be very much obliged if you would give me one instance.

Mr. Badenoch. The Financial Commissioner, Railways will be able to tell you whether that excuse has been put forward or not.

Mr. Satyamurti. I never heard of it during the past four years.

Sir John Nixon. It occurs every day. When the Audit officer finds that he has to discuss something with the Agent, he says he is not concerned, but that the Accounts Officer is concerned. The Agent has nothing to do with it.

Mr. Satyamurti. Then the Agent does not do his duty. That is not the point which the Auditor General made.

Mr. Badenoch. It is an illustration of my point. There is a division of responsibility at present. There is dual control, I admit that.

Mr. Satyamurti. At that rate, every spending authority can say, the audit must have done this or that. At that rate everybody can escape responsibility. Is that an argument for doing away with audit altogether?

Mr. Badenoch. *Prima facie* you have got a case for trying this experiment. I also admit as Mr. Wilson says that the financial control of company managed railways is certainly not worse than state managed railways.

Mr. Satyamurti. That is a negative testimony.

Mr. Badenoch. I certainly say it is not worse. I have on occasions said that it is better on company managed railways. I once said in the Public Accounts Committee that the financial control of B. B. and C. I. was much better than on other railways.

Mr. Satyamurti. That is because the shareholders are interested and it is not an impersonal government as our government is. The whole difference is that we have an impersonal government in which nobody is interested.

Prof. Ranga. The Chief Accounts Officer is the watch dog of the Finance Department.

Chairman. If he is my watch dog and is within my control, I am entitled to say I prefer to have him in a slightly different relation to the Agent. That is a relevant matter. I am responsible finally for the control.

Mr. Badenoch I will just restate the position. There are very strong arguments on both sides. I do not myself think there can be any rapprochement or any reconciliation of views without making an experiment. For that reason I have agreed to an experiment and I consider that it will be useful to test out from the audit point of view the system which has been recommended to be a useful system. As I said before I would not agree to an experiment if I thought that this meant withdrawing my opposition generally. I do not believe that if the Public Accounts Committee agree to this experiment they will concede anything of principle. They can hedge it round with any conditions they like. A general introduction of the new system should not be carried out without a full report on the results of the experiments. I have no doubt that would be conceded.

Chairman I readily agree to that.

Mr. Satyamurti I listened to the statement of the Auditor General very carefully. One thing that struck me very much is this. In your opinion and in the opinion of Sir Ernest Burdon a change in the present system before the Federal authority comes into being will mean a diminution of control. If I am wrong you will correct me.

Mr. Badenoch. Yes, if you make a wholesale change at once, I should say so. If the Finance Member had put forward a wholesale change, I would have been wholly in opposition. I could not support a wholesale change from the present system to the proposed system all at once. I think an experiment in one or two railways would be useful both to the Public Accounts Committee and to the Auditor General.

Mr. Satyamurti If according to you and Sir Ernest Burdon there is to be diminution of control, would you agree as the Auditor General responsible for the financial rectitude and correct accounting to that diminution of control even with regard to one railway? Is it right?

Mr. Badenoch: I have made it quite clear that our reasoning is really *a priori*.

Mr. Satyamurti You definitely said that.

Mr. Badenoch I said that from *a priori* reasons one would expect this result. My position is that I believe that it has got to be tested. I cannot say that I know the proposed system is wrong. You can reach a final conclusion only if you try it.

Prof. Ranga: It goes against the very principle of the Resolution which was passed by the Assembly in September 1925 on the initiative of the Government of India themselves. According to this the accounting staff on each state managed railway is under the orders of the Financial Commissioner of Railways and not under those of the Agent for the purpose of promotion, transfers, etc.

Mr. Badenoch: That is not going to be changed. There is no change in the control of the superior staff.

Prof. Ranga: This Controller of Railway Accounts who is under the Financial Commissioner to-day is likely to be placed under the Agent according to this experiment.

Mr. Badenoch: Only maintenance of accounts. The standard of qualification of staff will still be prescribed by the Railway Board.

Prof. Ranga. Don't you think that it does make some difference in the independence of the man, *vis-a-vis* the Agent if he is under the Agent himself instead of being under the Financial Commissioner as at present?

Mr. Badenoch. That is one of the things we want to test in practice.

Prof. Ranga. Is there any precedent for this in any of the countries where there are state managed railways?

Mr. Badenoch. It does occur in this country in company managed railways.

Prof. Ranga. When the Government placed this proposal before the Legislative Assembly in 1925, if there were precedents, the Government would have said so. At that moment the Government did not cite a single example where the Accounts officers were placed under General Managers.

Mr. Badenoch. That was nearly 15 years ago. Since then a good deal of opinion has been collected on the other side. As I already said I have not surrendered my objections. I make that perfectly clear. I do admit there are two sides to the question. I also make it clear that the only way in which to settle the matter is to try it out. I do not think you are prejudicing financial control to any dangerous extent by trying the system on one railway to begin with.

Prof. Ranga. I am under the impression that we as a Committee and yourself as the Auditor General have to respect and carry out the intentions of the legislature in regard to financial control. Here is a convention which was proposed by the Government themselves which they want to go back upon.

Mr. Badenoch. There has been more than one declaration. I do not deny that. I do not think a particular declaration of 1925 need necessarily be followed slavishly for all times. I think the present Public Accounts Committee is perfectly competent to make a different recommendation.

Mr. Satyamurti. This point came up before the Public Accounts Committee in December 1931 and this is what the report says (Page 71, Report of the Public Accounts Committee on the Accounts of 1929-30).

"They noted that the Auditor General had pointed out to the Retrenchment sub-committee that in every experimental separation of Audit and Accounts in India hitherto the separated accounts office had been placed under the Finance Department and not under the purely administrative department, and they understood that the Retrenchment sub-committee had accepted the view that any material departure from this principle would be unsound."

This was in 1931.

Mr. Badenoch: I do not deny that. I have not withdrawn my objection. I am still to be convinced about this system. I have agreed to it as an experiment. I do not think I am conceding anything by agreeing to that.

Mr. Satyamurti: Don't you think this matter ought to be taken to the legislature before embarking on this experiment?

Mr. Badenoch. I think the actual time to go to the legislature is when you have tried the experiment and when you can put up a recommendation based on the experience gained in the experiment.

Prof. Ranga To agree to make an experiment is itself half acceptance.

Mr. Badenoch I do not think so. You are not at present in a position to go to the legislature. You must first try the experiment and then if it is successful, you can go to the legislature for sanction to introduce it wholesale. Personally I do not think this is the proper occasion to go before the legislature.

Mr. Satyanārti. In the report of 1931 which I just quoted I find that Mr. Badenoch was also present as Director of Railway Audit. "The report observes:

"The importance of preserving the independence of the Chief Accounts officer whose sense of freedom in checking the work of the management might be impaired if he were no more than part of the organisation under the control of the chief executive officer".

Chairman. "In checking the work of the management". In other words he is a hostile entity in the middle of the management of the railways. What is proposed is not to make him a slave of the Agent. He will not be, because he will have access to the Financial Commissioner. He will be the adviser of the Agent.

Mr. Satyamurti. I do not believe in this hostility. I think it is impatience on the part of the executive officers against any control. I cannot treat it as hostile. I think the spending officers do not like to be controlled.

Mr. Wilson. I am afraid we are on the wrong track. You talk about spending officers. The Agent of company managed railways is in fact under two masters—the Home Board and the Railway Board. You might look upon him with suspicion, though the Auditor General and the Railway Board think that the financial control in company managed railways is better than in State managed railways. The General Manager is under state control and his primary object is to run the railway at the greatest profit possible. He must have that objective in his mind even more strongly than the Chief Accounts officer or any other head of the department who has got spending departments under him. Why do you say that the Agent of a Railway is a spending officer? The Agent is a responsible officer appointed by the Government to control the concern over which he is put in charge. Why should you suggest that he should want to control the concern in any but the way laid down by the rules framed by Government?

Mr. Satyamurti: I admit the correction. Why do you suggest that the Accounts officer who is a human person, who is a Government servant, who is trained to help the administration should be treated as hostile to the Agent? What is the basis of that charge of hostility?

Chairman. If you like a better expression, say, "critical attitude". It is based on four years of personal observation on my own part. Every single spending department has got the idea that audit is there to criticise it and to catch it out. The Auditor General and myself in the general civil sphere came to an arrangement last year, which I think Sir John Nixon mentioned to you, by which we redefined the attitude of audit towards the spending departments and towards the Finance Department, and their relations. It seems to me that that arrangement would have been quite pointless if there had not been at any rate in my mind a strong conviction that departments have got into the habit of treating audit as hostile critics and not helpers.

Mr. Satyamurti The Financial Commissioner who is really the boss of this side, is he hostile to the Chief Commissioner of Railways? Is he unhelpful, unfriendly, critical or obstructive? Therefore if these Chief Accounts officers continue under Mr. Staig, what harm will be done?

Chairman Mr. Staig is a case in point. He is a Member of the Railway Board. He is appointed by the Communications Member in consultation with the Finance Member. In fact his position is that he is a Member of the Railway Board and not a Member of the Finance Department.

Mr. Satyamurti If the Chief Accounts Officer continues to be under Mr. Staig, what will be the harm? He is a good man and he will be there for the next two years.

Chairman Why aren't you willing to have the experiment tried?

Mr. Satyamurti Because I am convinced by the Auditor General's argument that there will be a deficiency in the financial control. That is the one thing which weighs with me.

Chairman In that case, I am willing to have it placed on record that if the Auditor General comes and tells this Committee next year that the experiment has shown a general indication of resulting diminution of control; it will at once be abandoned.

Prof. Ranga I will not be a party to any such thing as long as I have got the Resolution of the Legislative Assembly before me. I know that the financial control of the State-managed railways is not worse anyhow.

Chairman The evidence is to the contrary.

Prof. Ranga It is now generally admitted that the financial control of the State-managed railways is as good as that of the company-managed railways and in many cases it is much better. Therefore, when we have got an admittedly successful financial control which is as good as that of the company-managed railways, I do not see any reason why we should make this departure and vote in favour of the system which the company-managed railways have had up to this time and which was not accepted by the Legislature.

Mr. Scott In his remarks Mr. Badenoch says that it may not be possible to have an adequate enforcement of financial control. I would very much like if he would place before us the reasons for making that remark.

Mr. Badenoch As I have already explained, there is the fear that the Agent may ride roughshod over his Chief Accounts Officer if he does not have the liberty of direct access to the Financial Commissioner, that might possibly weaken the general financial control. At present it is only a fear. I cannot say whether it is justified unless the experiment has been tried.

Chairman The Chief Accounts Officer will have his views placed before the Financial Commissioner in his own words.

Mr. Satyamurti The note which you have circulated to us is very ambiguous. The note does not say that the Agent is bound by the views of the Financial Commissioner.

Chairman If you like, we will leave out the words 'grave emergency'.

Mr. Satyamurti What is the urgency about this?

Mr. Wilson We are after better control.

Mr. Satyamurti : But can you tell us that the present system is defective?

Chairman : I can tell you in general terms how the financial arrangements of the railways are defective at present. When engineering projects have been put before some Agents, there has been very little critical examination of those estimates. Part at least of these two or three crores of under-spending which habitually takes place in regard to capital projects is due to the fact that there has been no serious criticism brought to bear on the engineering schemes by the Agents. They just swallow them and if they are knocked out they are knocked out by somebody else.

Mr. Staig : It happened once or twice last year. There were projects for 4 or 5 lakhs which had been included in the civil works and were put down for the following year. They were not carried through and on examination it was found that the Agent had not gone into them in any considerable detail.

Mr. Scott : Is not the Agent responsible for any schemes that he puts up?

Sir John Nixon . An Agent does hold himself responsible for what happens in his engineering department, but you cannot make him responsible for the accounts department because that department is not under him. Is not that the statement of the case?

Mr. Wilson . Quite right.

Mr. Das : Will you kindly help me to understand the position a little further because at the time of the separation of the railway finance from the general finance we were given the assurance that the Financial Commissioner will control everything through the Chief Accounts Officer. Also, in the Railway Retrenchment Committee of 1931 Sir Ernest Burdon made it clear that the Finance Dept. is responsible for the financial control and Sir George Schuster said that the conditions in India are not the same as the conditions in England. So, we could not apply the commercial principles that were applied in England. The Assembly somehow tacitly agreed that in spite of the irresponsible Finance Member, the whole financial control be given to the Finance Dept. But I am surprised to find that Mr. Wilson is the first Chief Commissioner who has said before this Committee that the Chief Accounts Officer as a financial adviser to the Agent has failed. We would like to have certain memorandum from the Chief Commissioner on that matter. In 1931 when we were discussing this matter, Sir George Schuster said that it will deteriorate the present control. Then we came to the conclusion which Mr. Satyamurti has just read out. At present the Railway Board happens to be the Directors of the State railways and we ask them to control the company-managed railways and the State railways and we, the taxpayers, expect the Directors through the Financial Commissioner to have the proper financial control. Of course, the Financial Commissioner belongs to the Finance Department; he does not belong to the Railway Board.

Chairman : He is a member of the Railway Board and he is appointed by the Railway Board. He is not subordinate to the Finance Member. He is only a link for communicating to the Railway Board the sanction of the Finance Member.

Mr. Satyamurti : Who is his boss in the Government of India?

Chairman The Railway Member

Mr. Satyamurti As we watch it year after year, we know that the Financial Commissioner is directly under you.

Chairman He communicates my views to the Railway Board.

Mr. Das Let me put my question to Mr. Badenoch. With that background which I have already given, what will happen when the Federal Railway Authority comes?

Mr. Badenoch The Chairman assures us that there is no difference in the position of the financial control. It is a difference in organisation to secure the financial control that he desires.

Mr. Das The Financial Commissioner will only deal with papers; he cannot have direct correspondence with the Chief Accounts Officer of the Railways. He will have to correspond through the Agent in the future.

Mr. Badenoch Even now he corresponds through the Agent. One point that Sir Ernest Burdon made was that the Public Accounts Committee must have all the information with regard to the receipts and expenditure that they always have had and that there should be no derogation from that position. I believe the Finance Member guarantees that we will have that. That, again, is a matter of control.

Mr. Das It is always subject to the sweet will of the Agent. If the Agent says 'Do not supply that information', you cannot have it. Take, for instance, the B. N. R., which never supplies Government with any information.

Mr. Badenoch I do not think I can accept the statement of Mr. Das. I think you will remember that before 1920 the Government examiner did very limited audit and on the basis of that it was suspected that things were not all well with the B. N. R. A special investigation was made and as a result of that investigation the test audit was raised very considerably.

Mr. Das You admit, then, that before 1920 there was slack audit.

Mr. Badenoch Before 1920 we had neither the staff nor the opportunity for exercising all the audit that we wanted to exercise. Since then there has been a very great improvement both in audit and in the B. N. R. We have raised the standard of audit on company-managed railways. I may assure you that if there is any interference with the opportunities of audit and if audit suffers in any way from the system, I shall say so on the basis of the experiment.

Mr. Das Does it not naturally follow that you will have more staff?

Mr. Badenoch I cannot say that until we have had the experiment. That is one of the reasons why we think that the experiment will be useful. I think it is one of the advantages of trying the experiment to see what the position of the audit will be with regard to the railways organised on this slightly different basis. I am perfectly honest about this. I would strongly object to a wholesale change. I think there is a great advantage to be gained from an experiment. That is my position.

Chairman At present with his financial powers the Agent can go ahead in spite of the contrary advice by the Chief Accounts Officer, but under the new system the Chief Accounts Officer can bring it up to the Financial Commissioner.

Mr. Badenoch : It is just a slightly different method of access.

Mr. Sundaram : Ordinarily the objections of the Chief Accounts Officer come through the Agent but if the Agent refuses to forward them, he can send them direct to the Financial Commissioner.

Mr. Badenoch : I think there would have to be some safeguard about limiting the power of the Agent to refuse to forward objections.

Mr. Satyamurti : When the Federal Railway Authority comes, the Chief Accounts Officer will continue to be under your successor. The Finance Minister will have control over him.

Chairman : Don't make that mistake. When the Federal Railway Authority is set up, there is no question of this Chief Accounts Officer being the servant of the Finance Minister.

Mr. Satyamurti : He will have to be under the Finance Minister unless the system is changed.

Mr. Badenoch : That, I think, is a misconception. He may be under the Federal Railway Authority but he cannot be under the Finance Minister. That is quite certain.

Mr. Satyamurti : But if the present system continues?

Mr. Badenoch : It cannot continue as it is. A system whereby there is, even theoretically, some direct communication between the Finance Member and the Chief Accounts Officer cannot in the nature of things exist under the Federal Railway Authority.

Prof. Ranga : Am I correct in thinking that if any alteration were to be made in this system, then it must not be made by the Federal Railway Authority itself but with the consultation of the Government of India?

Mr. Badenoch : I think it is entirely a matter for the Federal Railway Authority, unless, of course, the Governor General did give an absolute order to the Federal Railway Authority. Even then, I do not think it is possible that there should be a direct connection between the Chief Accounts Officer and the Finance Minister. There is a provision in the Act that the Federal Railway Authority should be governed by business principles. It is impossible under the Federal Railway Authority for the Finance Minister to have direct authority over the Chief Accounts Officer.

(At this stage the Hon'ble the Finance Member left the Chair which was occupied by Mr. Satyamurti.)

Mr. Satyamurti : Let us now take up the Chief Commissioner's review. Grant No. 11, page 25. It is said: "The expenditure in 1936-37 was the lowest in the last decade." Have you anything to say?

Mr. Wilson : These are new constructions.

Mr. Satyamurti : Then, we go to Grant No. 12 on page 26. There you will notice at the bottom of the page that the saving was of 2 crores.

Mr. Wilson : This is the year when we brought our cuts into practice.

Prof. Ranga : In paragraph 45 it is said: "It is all due to delay in the receipt of sanction owing to the necessary data and plans not being available in time." How did it happen?

Mr. Sundaram : It is a fairly common cause.

Prof. Ranga : Do you include provisions in your budget proposals even when you do not have necessary data and plans?

Sir John Nixon: There is a sort of general sanction and the details have to be worked out and then there is another sanction after that.

(At this stage the Hon'ble the Finance Member resumed the Chair.)

Mr Satyamurti: Last year this Committee, without a dissent passed the Resolution

"We recommend to the Government that they should take no action on any proposals of the Wedgwood Committee's report involving questions of policy or on proposals involving further expenditure or on proposals recommending . . . before the Indian Legislature has had the opportunity of considering the whole report and pronouncing their recommendations on that "

I think we must stand by our own decision. If the Government of India want to try the experiment, let them go to the Legislature and take their permission. We want the Federal Railway Authority, if they want to deal with this matter, to do so on their own responsibility. But at present this system has not been recommended by any committee except by the Pope Committee. The Government are disposed to place the Chief Accounts Officers and their establishments to the fullest extent practicable under the control of general managers. There is no case for this change which will lead to the general manager being the boss of the show.

Chairman: There has been heated argument for 13 or 14 years and it is obvious that there has been no change of view on either side.

Mr. Satyamurti: Why not give the Federal Railway Authority the chance to do so if they like? Why anticipate things twenty-four months before? Let them consider the whole question.

Chairman: We might say that the experiment should be tried (subject to some slight re-drafting of the paragraphs), but that if the Auditor General reports to the Committee that the experiment is being a failure, it should be abandoned.

Prof Ranga: I suggest it should be placed before the Legislature.

Mr Satyamurti: I do not think we can make a departure without the knowledge and consent of the Indian Legislature.

Chairman: The question is whether there should be an experiment conducted of placing the accounts officers under the general managers of one or two railways. Government have proposed to make that experiment. The Auditor General with some hesitation has supported it. Mr. Satyamurti, Prof Ranga and Mr. Das are opposed to it. The question is whether the experiment should be tried under reasonable safeguards.

Mr Ramsay Scott: I suggest the discussion of these reports might be hurried up.

Chairman: I have done everything I possibly could in regard to the discussion of these reports. It is a matter for the non-official parties of the House to press for these reports being discussed in time. I suggest we liquidate the past and concentrate on the current year's report. I certainly desire to meet the wishes of the House. I suggest that it is more profitable to confine ourselves to this year.

Mr. Satyamurti. P. 27, Chief Commissioner's Review, Grant No. 12 Para 45. I suggest that we might make a comment on that in our report.

Chairman. Is the track renewals programme included in the figure of lump cut? Has there been any cut this year?

Mr. Staig. Yes. There was a much bigger cut. The cut is 23 per cent. *Chairman*. we might mention that specifically in the paragraph under the lump sum cut.

Chairman. P. 28, para 47. Comment by the Chief Commissioner "There is scope for improvement in this respect". I take it the suggestion is that "18" is rather a large number.

Mr. Satyamurti. It really encourages over-budgeting.

Mr. Staig. It represents adjustments also.

Mr. Satyamurti. I would like that to be examined.

Chairman. We might mention that in the detailed report.

Prof. Ranga. I want to raise the point about premature budgeting.

Chairman. Premature budgeting is a difficulty which I referred to in the Assembly.

Mr. Satyamurti. What is the magic about the 1st of April?

Chairman. I do not believe you can change your year without bringing in an absolutely inextricable confusion. The difficulty is incurable because of the accounts system in India, as you proceed by treasuries and not by one unified central bank.

Mr. Satyamurti. Para 48, top of p. 30, variations. Is this your report?

Mr. Wilson. Sir Guthrie Russell's.

Mr. Satyamurti. Why spread all this over all these years?

Mr. Staig. Look at the sentence following.

Mr. Wilson. We unfortunately drew up a certain estimate. Meantime the prices of permanent-way material fell.

Mr. Satyamurti. So it is all saving and no postponement of work?

Chairman. When you have got a work which was sanctioned a long time ago and in progress for a number of years, is there any re-calculation of the project estimate during the course of the execution of the work?

Mr. Badenoch. I think that ought to be done. Of course there is a danger that if there is a saving, the Department might utilise it on other items not included in the estimate.

Chairman. There might be a revised estimate and a fresh sanction. Will you consider that for next year?

Mr. Satyamurti. Take your capital programme. What exactly is the position?

Mr. Wilson. Here we expose our hands at once. We make a small number of estimates to cover just a year, to cover the work which we think we shall be able to do in a year.

Mr. Satyamurti. P. 31—Adjustments showing the final results of the year. Should we not do something here?

Chairman. We might put in an exhortation. We should have a reference at any rate to the question of reserves.

Mr. Satyamurti: Then as regards these excesses on page 32, I suppose we will have to recommend these to be voted.

Chairman: Paragraph 56. Is this an alteration of charge made during the course of the year?

Mr. Wilson: Yes. I think Mr. Staig will agree that most of these instances quoted here are due to change in procedure which always causes some confusion. And with the best possible will there is always some mistake in carrying out instructions.

Mr. Satyamurti: Once a mistake is found out, does any correspondence take place to find out how that mistake arose?

Mr. Wilson: Certainly. In most cases it is an oversight.

Mr. Satyamurti: On item 3 you have got an explanation in your typed note.

Mr. Wilson: The decision referred to here has been reversed and a discussion is now going on as to whether a wrong allocation was made. Orders have now been issued regarding the correct head.

Chairman: You say the question of fixing the responsibility is under investigation. Have you come to any decision on that?

Mr. Wilson: We have come to no decision.

Chairman: P. 36—Capital Statement. This capital statement only shows that there has been no valuation of the fixed assets and therefore it is merely a statement of the year that X equals X.

Mr. Badenoch: This is the first statement of the double account system, capital on the one side and what you do with it on the other side.

Chairman: It is only a book statement and gives you no guidance as to the value of the assets.

Mr. Satyamurti: Page 37, Fixed and floating assets,—is there any difficulty in getting an assessment of the actual value of the assets?

Chairman: I will refer you to section 187 (1) of the Government of India Act which means that the figures that you have got here will be the debt of the Authority to the Federation. So that your fear that anybody can write that down or put some imaginary figure based on earning capacity is baseless. I have taken legal opinion on that, which is to the effect that what the Authority has got to pay to the Federation is the money advanced for capital expenditure.

Mr. Satyamurti: Then I do not want any present value.

Mr. Das: Is this banking account with the Government of India?

Mr. Staig: Yes.

Mr. Satyamurti: Pages 41 & 42,—I take it that these changes have been made with the Auditor General's approval or at his instance?

Mr. Badenoch: The change has been made by the Financial Commissioner of Railways or the Controller of Railway Accounts with the concurrence of the Director of Railway Audit. And I can say that they do not interfere with financial control.

Friday, the 15th July 1938, at 2-15 p.m

Mr Satyamurti We will take the next Schedule B Now, about the traffic department expenses, you say here "that certain factors make it difficult at present to exercise any effective control under this head. ..".

Mr Staig The explanation is contained in the letter sent to different Railways, and it is appended here. The main reason for the variation is there is no proper collaboration in this matter

Mr Satyamurti What are the steps you are taking to ensure efficient and proper collaboration?

Mr Staig We have issued instructions

Mr Satyamurti Have they been accepted by all the Railways?

Chairman. It is an order. On accounting matters the Railway Board is supreme

Mr Satyamurti Take the next page, paras. 14 and 19

Mr Staig That is the general question. The Chief Commissioner told you yesterday that a very elaborate memorandum has been sent to Railways based on the instructions issued to the N. W. R. to see if they also can adopt those instructions

Mr. Badenoch You can never get absolutely meticulous accuracy in budgeting

Mr Satyamurti Mr. Staig, I suppose you will watch the results.

Mr Staig Yes, certainly

Mr. Satyamurti. Then on these working expenses in Annexure C, you see there are differences which are rather striking. Is there any means by which the Railway Board satisfies itself that the proportion of working expenses to traffic is more or less uniform in the Railways, subject if necessary, to variations about tracks and so on.

Mr. Sundaram. If revenue earnings go up, naturally percentages also go up.

Mr. Satyamurti: Yes, but is there any attempt made by the Railway Board to see that working expenses bear some reasonable proportion to traffic earnings?

Chairman. That is one of the things I understand, the G. I. P. is engaged in. They are trying to control the expenditure by a careful examination of statistics and the results are obviously successful. I have had talks with Mr. Staig to see if this system of control by statistics relating to working expenses in traffic is not susceptible of general adoption

Mr. Satyamurti I should like you to put in a recommendation that this matter should be carefully watched with regard to the relation between working expenses and traffic earnings.

Chairman: What you have in mind is that, in connection with Annexure C, the Chief Commissioner should consider the possibility of putting in his Report the explanation of variations in working expenses which are not obviously explainable on the face of these figures?

Mr. Satyamurti: I want more². I want you to say that some steps should be taken to see that they are not spending more than is necessary.

Mr. Sundaram : I can assure you that this kind of control is very close. The Agent reviews these figures every month with statistics of two or three corresponding years.

Mr. Satyamurti : Generally I don't like the Wedgwood Committee's recommendations, but there are one or two of their recommendations which are very good indeed relating to the mechanical as well as the administrative side. I am merely anxious that we should put in some kind of general exhortation that they should look at this point.

Chairman : Would you like some sort of a general para more or less on the lines I just suggested? Although the function of this Committee in relation to Railways is to examine the accounts as public accounts, there is also the commercial aspect of it which is obviously of very great importance, and we can then go on to make a few remarks about the expense ratio.

Prof. Ranga : I don't like it. I would like the Railways to be treated not merely as commercial concerns but also as public concerns.

Mr. Ramsay Scott : In 1929-30 the ratio of expenses to profits was too high.

Chairman : Was not 1929-30 the last year in which the big programme of expansion took place?

Mr. Satyamurti : Looking at these figures, you will see that the working ratio of the N. W. R., B. N. R., Assam-Bengal, has been very high.

Chairman : The Assam Bengal Railway, I take it, runs through a sparsely populated country, and there are track difficulties, floods and so on. So you can expect the ratio to be high. The N. W. Ry., in relation to the length of mileage have got low earnings because they are strategic lines. The Assam-Bengal Ry. passes through rather mountainous country, and about the B. N. R., they have low gradient traffic and they have also a long bit of line which is unremunerative.

Mr. Satyamurti : I suggest an attempt should be made to reduce the working expenses as far as possible.

Mr. Wilson : We are doing that. All the time.

Mr. Satyamurti : But the results don't show anything.

Mr. Staig : You have also to remember that the medical expenses and expenses of education have gone up, coal wages and ordinary repairs of traffic have also gone up.

Mr. Wilson : The main thing is whatever effort we are going to make and are still making towards the reduction of working expenses, they are going to be outweighed by the loss of revenue which we are experiencing, and unless you try to take steps to improve our revenues, our position is going to be worsened year by year.

Mr. Das : If you look at the B. N. R. figures there cannot be any further improvement in the traffic receipts of that railway, but it happens to be one of the few railways which spends more on its general administration and other heads. The company managed railways do not subscribe to the Railway Board's decision, they do not purchase their stores through the I. S. D. If these company-managed railways buy their articles through the Railway Board they will save.

Mr. Wilson If they have to pay a higher price for the articles they have to buy through the I. S. D., the difference has got to be made up to them by the Railway Board. Supposing we call for tenders and we get higher tenders from outside, we have to pay them the difference between what they could have paid and what they have to pay.

Prof. Ranga Why should we pay?

Chairman That is part of their contract.

Mr. Wilson They cannot be compelled to buy at a higher price.

Chairman In 1935 we called for world tenders. We wanted 5,000 wagons and we placed orders for over 4,000 in India and orders for 750 wagons were placed in England. The result was that the reductions by Indian tenderers next year were stupendous. The result of that open tender for one year was to bring the Indian tenders down very materially.

Mr. Satyamurti What was the amount paid by the State to company managed railways on this account?

Mr. Wilson It was not a great amount.

Mr. Satyamurti If the figure is comparatively small I would rather encourage buying in India.

Prof. Ranga It is best to keep the door open for world tenders so that we can bring down the tenders here. If we give a closed market these people will exploit us.

Mr. Das With the advent of the Federal Railway Authority you Agents will become great bureaucrats and you will buy in the cheapest market.

Mr. Wilson We will still carry out the instructions of the Government.

Sir John Nixon. Because the Federation will lay down the policy.

Mr. Das. Mr. Wilson, if you look at page 47, last column, net gain, the company managed railways have no prospect of net gain, though in the State-managed railways they have improved their receipts and their net gain except, of course, the N. W. Railway. The B. N. Railway has no chance of improving its receipts and its net gain.

Mr. Wilson: You must also remember that the B. N. Railway's proportion of low grade traffic is very much higher.

Mr. Das Still I think that the general administration cost is higher than on the other railways?

Mr. Wilson. I do not think so.

Prof. Ranga Is there any explanation for this continued loss on the S. I. Railway and M. S. M. Railway? Page 47.

Mr. Satyamurti. They have suffered very much from motor competition in respect of both passenger and goods.

Mr. Badenoch. They may be a minus figure here but actually the railways may be making surplus profits because the appropriation to the depreciation fund is a conventional and not a real figure, so that to that extent these particular results are not real. I think actually the M. S. M. is paying a surplus profit.

Mr. Satyamurti. Stores Balances. They have been cut down drastically but have you reached the rock bottom limit and are you keeping no more than is actually necessary?

Mr. Wilson. Speaking for the G. I. P. Railway I can say we have reached the rock bottom, but I cannot say about the other railways.

Mr. Satyamurti. In the N. W. Railway it went down but again it has gone up.

Mr. Wilson. The price of stores has got to be considered.

Mr. Satyamurti. Has it gone up?

Mr. Wilson. Yes.

Chairman. The peak price was about April 1937.

Prof. Ranga. In spite of high prices, it has gone down in other railways whereas in the N. W. Railway it has gone up.

Mr. Wilson. Take for instance the G. I. P. We had a great quantity of released girders when we strengthened our bridges between Haras and Delhi. All these big girders were thrown into stores. It took a long time to use them up and there was no market for them. We have rehabilitated them and used them on less important bridges. By that means we have been able to reduce the stores which had been unduly inflated. Similar circumstances did not occur on other railways.

Chairman. About the N. W. Railway, I suspect the reason for that may be Quetta.

Mr. Satyamurti. I should like that to be examined. Annexure F we have discussed. As regards Annexure G, the percentage of cost of staff to gross earnings (reads)

The Chairman explained the figures.

Prof. Ranga. Serial No. 38, total passenger carriages public use—there is a reduction in the metre gauge carriages from 7,759 to 7,391. I only want to know whether there are a sufficient number of carriages to carry your present traffic.

Mr. Wilson. Yesterday we dealt with the intensive use of the coaching stock. Then the traffic was falling and there was motor competition. There is also the pooling of mela stock.

(Serial Nos. 13 and 18 at page 50, Annexure G, were explained to Mr. Scott and Prof. Ranga respectively.)

Chairman. We will now take up the Audit Report.

Mr. Satyamurti. Paragraph 2. I want to know how it happened that the Railway Board authorised this.

Mr. Staig. These were stores for general purposes. The figure now is about 135 lakhs for the coming year. This differentiation between imported stores and other stores is difficult to work in practice. It has been found that the railways require advance sanction for commitments for stores bought in India as well as from abroad.

Mr. Satyamurti. Was this 7½ lakhs sanctioned by the Railway Board for Indian stores?

Mr. Staig. For all imported stores.

Mr. Satyamurti. I want to know the date on which the Railway Board authorised the administrations to place orders in excess to the extent of 7½ lakhs.

Mr. Wilson. After September.

Mr. Satyamurti Why did you not go to the Standing Finance Committee?

Mr. Sankara Aiyar There was some doubt as to whether the railway administrations correctly understood the instructions. The allotment is required to enable the administrations to place indents and we expected all along that that would finally work out to the figure of fifty and that the figure given by the administrations was wrong.

Mr. Satyamurti Why did you not go to the Standing Finance Committee?

Mr. Sankara Aiyar This was the first year in which the new thing was introduced and we were not sure that the railways understood it properly.

Chairman It was subsequently regularized by the vote of the Assembly, but if they had not taken the action, the orders for stores would have been delayed.

Mr. Stang The whole thing is under re-examination.

Mr. Satyamurti Item (ii) of para 4. "Credits due on this account were not based upon information, even on an approximate basis." Why was this not done?

Mr. Rajagopalan The Agent of the E. I. R. says that the irregularity was due to their not having been advised in time of the difference between book values and actual realizations by sale.

Mr. Satyamurti Do the M. S. M. get their coal from their own collieries?

Mr. Sankara Aiyar Yes, partly.

Chairman They raise a part themselves and take a certain amount from the market. The railway collieries take the variation in demand.

Mr. Satyamurti Item No 7. is the procedure the same? I still find a difference of opinion between the two railways.

Mr. Rajagopalan It is settled now by a write-back of the adjustment. These things are complicated and they take time to settle.

Mr. Wilson In many of these matters it is extremely difficult to decide what is the proper way of accounting.

The facts of the case may be just as fully known by the Railway Board as by the railways but the opinions of the railways must always be considered. That always involves a lot of time. When remarks like this appear in an audit report, it does not mean that anybody is not doing his level best to settle the question.

Mr. Badenoch Much of this is not worth reporting. Para 6 is a fair point, and that has been mentioned before.

Mr. Wilson We might get a note from you for the encouragement of the people who are working to the best of their ability that in view of the small number of complaints, you think the railways have been doing extremely well. Otherwise it is very disappointing. I speak on behalf of people who are doing their best.

Mr. Badenoch Several years ago when the Financial Commissioner began to prepare this review, the idea was that he should put in all the appropriation irregularities and that the D. R. A. would not bring to notice anything else unless it was very important. In this report there

are admittedly a number of minor appropriation irregularities brought to notice.

Chairman The English practice is that if a mistake is not *mala fide* and has been rectified, it is not mentioned by audit, its business is to direct the attention of the Public Accounts Committee to important points of accounting procedure.

Mr. Badenoch I do not think there is any point in bringing minor points to the notice of the Public Accounts Committee unless there is some general lesson to be drawn or unless the Director of Audit thinks that the minor mistakes are increasing in frequency to an important extent.

Mr. Satyamurti Unanticipated credits. Our feeling is that unanticipated credits ought not to be used for any purpose without our specific sanction and authority. The railways really have no further claim to unanticipated credits. Other claims within the railway grant should be judged on the merits—not because we have got some money unanticipated.

Sir John Nixon. If the amount is substantial, it is not so used, automatically.

Mr. Badenoch. If it is unanticipated, and if it is utilised without the approval of the Standing Finance Committee this would amount to an appropriation irregularity. The F. C. Railways admitted in his own review that he has utilised unanticipated credits. In the English practice, you must take a vote on any appropriation in aid. This is as near as we can get to the English practice.

Chairman At home all estimates are submitted to the committee of supply and reported to the House.

Mr. Wilson Some of these are not what you consider to be unanticipated credits. The sort of unanticipated credit you have in mind is a windfall which must not be utilised to swell your expenditure in carrying out a particular piece of work. Of course you spend more under one head and less under another and that is re-appropriated. All these things, I consider, are not the unanticipated credits which you are discussing.

Mr. Rajagopalan. But all the figures are taken from the paragraphs mentioned in his own review?

Mr. Satyamurti: Paragraph 11 (i). Is there any possibility of improving the budgeting under these sub-heads?

Mr. Badenoch: We find that in all provincial budgets, one of the worst heads is the pension head.

Mr. Satyamurti: Paragraph 11 (iii) New Constructions. On this matter we have always taken the view that the variation is very high.

Mr. Badenoch. I think this is covered by the previous discussion.

Mr. Satyamurti: Paragraph 12. Why is there lack of co-operation between the works and the stores budgets?

Mr. Badenoch. It is difficult because so many authorities have to be consulted. Besides, much depends on the progress of work.

Mr. Wilson. You have to estimate in the various departments as to how much work you are going to do in one year. It is practically impossible for an engineer to say exactly what he is going to do in those 12 months.

All sorts of things arise during the carrying out of those works which upset his calculations. Any figures which he gives will almost certainly be upset.

Chairman When you debit to works and credit to suspense, I imagine that what is at issue is the incomplete co-ordination between the two at that stage. You might get a thing credited to suspense and not yet debited to works.

Mr. Satyamurti At the time when you prepare the budget you must know how much you want. It may vary owing to various causes, e.g., the stores may not be consumed. But is it not possible at a particular given time to have them reconciled?

Mr. Wilson I told you yesterday that we have written a letter. If you read this letter, it will explain to you far better than I am able to do. This letter contains instructions as to how we can improve. This is theoretically the proper way to do it. But I believe as a practical man that it is not possible to carry those instructions into practice.

Mr. Satyamurti I should like you to meet the Agents and discuss the matter which will give us more satisfactory results.

Mr. Wilson That is the next stage.

Prof. Ranga You have been an Agent and now you are the Chief Commissioner of Railways and you yourself say that this notice in actual practice will be very difficult to be put into practice. Can you think of devising a way by which you can possibly help the Railway Board and help these people in drafting instructions in such a way that they can be followed up by these people?

Mr. Wilson This is one of the budgeting difficulties which we have every year. In spite of all our efforts we have not been able to solve the difficulty. The accounts experts have written this letter for us as a model to work on.

Mr. Satyamurti Are re-appropriations now being made in time? We had issued instructions to make them in time.

Mr. Wilson I do assure you that the Railway Administrations are doing their very best within the time at their disposal to carry out the multifarious instructions which they receive, including re-appropriations.

Mr. Satyamurti If you allow things to accumulate and refund ultimately savings, that upsets us. I want to know if the Railway Administrations are now trying their best to make re-appropriations as early as possible?

Mr. Wilson They are doing their best to make re-appropriations as early as possible.

Mr. Das I am afraid this year we are not doing our work as carefully as we used to do in the past.

Chairman My experience tells me that audit criticisms or accounts criticisms will be more effective if we leave out small items. There is no desire to prevent the Public Accounts Committee from investigating anything they like. My advice, if I may be allowed to give it, is that the Committee should concentrate on the important points.

Mr. Das: You will agree that in your four years' experience the Public Accounts Committee individually and collectively has tried to help the Government to arrive at a better financial control. I think in my 10 or 12 years on this Committee I have done more to improve the financial control than anything else. But I did not like the remarks of Mr. Wilson when he said that we are always criticising. I was telling a friend that I might as well resign from the Public Accounts Committee. We have always tried to see eye to eye with the Chairman of the Committee and Mr. Wilson nurtures a grievance about us.

Mr. Wilson: If I gave that impression I am extremely sorry. Perhaps my grievance is against those who write these reports. All I do say is this that in my present position I have given the impression that I am prepared to give any information which you ask for. I do feel, as you say, that you have done a tremendous lot of good. But I do want to state the Railway case that these reports should not give a wrong impression. As has been admitted candidly by Mr. Badenoch, a lot of things here are of minor importance compared with the importance of the work which we are all doing.

Mr. Satyamurti: On that point I want to say one thing. We are doing unpleasant work, that is to say, we are trying to find fault with people who have spent money. But we are doing our duty. The impression may have been created in the minds of the witnesses that we are critical, but they must understand our position. We are here as members of the Public Accounts Committee. I am here to read these reports and to find out why these defects are there. I agree with Sir James Trigg that these reports should concentrate on important items. I want to say, however, how obliged I and my Party are to the Auditor General and the accounts people for the audit report and for the excellent information they have given us. According to some, they may lack sense of proportion, but, on the whole, they are doing a great deal of service. I do not think you ought to get away with the impression that these reports are worthless and that they do not serve any useful purpose.

Paragraph 23—What is happening in this case?

Mr. Stung: I am investigating this case.

Mr. Badenoch: This is a case in which the Financial Commissioner, Railways, ought to jump on the Chief Accounts Officer. An important case like that should have been reported before.

Mr. Stung: All I can say is that we have taken legal advice in this case. C. C. and I have arrived at no conclusion yet.

Mr. Satyamurti: Paragraph 21. Is there anything later than this?

Mr. Stung: Since then we have got a copy of the judgment of the B. N. R.

Mr. Wilson: The lower court said that Rs. 2,50,000 should be paid as a reasonable payment for the work done. This was eventually reduced to Rs. 97,000. So, there was a reduction of Rs. 1,53,000 on appeal. To make this appeal, it cost us Rs. 1,10,000. It appears to me that the only question is whether these legal charges should have been incurred or not.

Mr. Satyamurti: Paragraph 25. I am afraid even you, Mr. Wilson, find it hard to defend it?

Mr. Wilson These buildings were constructed on black cotton soil with the result that the foundations cracked. If they had not been built on black cotton soil, there would not have been this difficulty.

Mr. Satyamurti You knew that you wanted specific foundations and it was subsequently found that the foundations were of poor quality. Why did your officers not insist on proper foundations?

Mr. Wilson This only came to our notice in 1932.

Mr. Satyamurti So, there was defect in supervision?

Mr. Wilson When we examined the foundations, they had been cracked owing to the movement of the black cotton soil and it was doubtful as to whether the cracks were due to the indifferent foundations or whether they were due to the nature of the soil. We eventually decided that the foundations were not as good as they ought to have been. It was a case of considerable doubt as to whether the foundations were at fault or whether it was entirely due to black cotton soil.

Mr. Satyamurti Paragraph 26. What action has been taken against this Medical Officer who executed the work in spite of refusal of sanction by the Railway Board?

Mr. Wilson The difficulty arose in the beginning because the Medical Department thought that they had the powers of sanction.

Mr. Satyamurti It might have originally been a *bona fide* mistake. But once the Railway Board refused sanction, the work should have been stopped.

Mr. Wilson Yes.

Mr. Satyamurti I want a report on this case.

Mr. Stang The officer has gone on leave preparatory to retirement. It was the Personal Assistant who issued instructions to the Engineer to execute the work.

Mr. Satyamurti Paragraph 33. Loss in the working of collieries on B., B. & C. I. and M. & S. M. Railways.

Mr. Wilson When this colliery was opened, the price of coal was about Rs. 6. The price of coal has now fallen so much below the output figures that we thought it better to close down the more expensive parts of the colliery. Therefore they were shut down.

Mr. Badenoch It is a legitimate commercial risk.

Mr. Satyamurti What do you mean by "the owning railways bearing the resultant loss"?

Mr. Badenoch The difference between the raising price and the market price.

Mr. Satyamurti Why should we not avoid this loss by producing more?

Chairman They are now producing from the cheapest pits to the extent that is profitable.

Mr. Wilson This loss is inevitable as long as the market price is so low.

Chairman In this case the question is whether the loss would be reduced if the working of the colliery is increased or if the colliery is closed down. I imagine you are working the most economical part, keeping it alive as an insurance against a rise in price in the future.

Mr Wilson Yes.

Mr Das Paragraph 34 I want some clarification of the remarks made by audit with regard to this loss due to non-observance of the conditions of lease of a colliery.

"The bill for the half year ending 21st April 1934 was, however not presented by the Colliery Company although the statement of coal raisings had been sent to the Company on the 3rd May 1934 and the amount due remained unpaid for more than six months. This was noticed by the Administration and on 3rd January 1935 the Administration requested the lessors to send their bills. In reply the lessors sent a notice terminating the lease and though the railway thrice tendered the amount due with interest the Company refused to accept the amount and instituted a case."

I have to point out to the Committee that this is not as innocent as is depicted here. Some of the Assembly Members including myself and Mr Neogy intervened. This affected the industrial community in India and we were all perturbed at the way in which B. N. R. was treating the lessors. I feel that there is a gap in the sequence of events narrated here. I also brought this to the notice of Sir Guthrie Russell and Sir Raghavendra Rau.

Mr Rajagopalan We have represented the facts and they have been agreed to by the Railway administration. We do not know the inner history.

Mr Wilson. There was some sharp practice in this case by the lessors.

Mr. Das Mr Vilhers came to Simla and got hold of some Assembly Members including the European group representative and represented to the Chief Commissioner and the Financial Commissioner. My impression is that the Railway Board ought to have accepted the terms of the lessors.

Chairman: You mean the railway ought to have submitted to the questionable transaction. These people deliberately refrained from sending in their bills.

Mr. Das: The case is not so simple as it looks.

Mr. Satyamurti: It seems to me that the railway administration was cheated by some unscrupulous people, who stood on the letter of the law. If the administration had been careful as it ought to have been of the implications of the contract, this loss would not have occurred. So far as moral sympathy is concerned, I entirely agree that it is with the railway and not with the gentlemen who tried some sharp practice because of some defective wording in the lease.

Mr. Wilson: The court held that the position taken up by the railway administration was reasonable and the position taken up by the lessors was unreasonable.

Mr Satyamurti The railway administration ought to have been more careful. There is no use of relying on the generosity of your claimants. It is much better that you conform to the terms of the contract.

Mr Wilson: The railway was the lessee and its duty was to say how much coal was raised and the lessors duty was to send the bill. Year after year this was the procedure that was followed. Suddenly there was a halt. When the case went to the courts the lower court held that the railway had failed in its contract but the higher court held that it did not.

The railway was in fact prepared to make the payment. It is unfortunate that we had to incur a lot of expenses in court.

Mr. Satyamurti : When the bill was not presented by the colliery company, the railway administration should have woken up and suspected some foul play.

Mr. Ramsay Scott : Possibly the bill was sent and it was lost in postal transit. I believe the trouble arose because Mr. Armstrong was not allowed to quote. Although his price was lower than other people's, he was not given a chance.

Mr. Wilson : All the relevant facts must have been before the courts and they found in favour of the railways.

Mr. Das : It is not so innocent as it looks.

Mr. Satyamurti : I would request my friends Mr. Das and Mr. Ramsay Scott that if they have got certain facts which are not disclosed in this volume, let them place those facts before the Committee. We will take the railway to task if they are wrong.

Mr. Das : I am not one of those who help the European commercial community. I was however struck very much by the injustice done to this European company. It was a scandal talked about in Calcutta clubs and so I approached Sir Guthrie Russell and Sir Raghavendra Rau to redress this grievance. I submit this case ought never have been dragged to the law courts. The real difficulty was that the B. N. R. did not want to carry on any business with Mr. Armstrong.

Mr. Satyamurti : Assuming there is some injustice, the comments of audit are perfectly sound. If you have got something against the railway, to show that they should not have gone to the law courts, please tell us.

Mr. Ramsay Scott : Mr. Armstrong was perfectly willing for a settlement.

Chairman : All I can say is that the Railway suffered this loss not so much by negligence on their own part as by assuming a rather higher degree of morality in certain people than was justified, and in future I suppose they will make no such assumptions.

Mr. Wilson : Instructions have been issued to prevent a recurrence of such things in future.

Mr. Satyamurti : Paragraph 36. Who was responsible for the claims being time-barred?

Mr. Sundaram : The relevant records are not available.

Mr. Satyamurti : That is always the sort of plea we get in such cases.

Mr. Satyamurti : Paragraph 37. Has this question been decided of recovering the balance from his Provident Fund?

Mr. Staig : Yes, the necessary steps have been taken.

Mr. Satyamurti : Paragraph 41. With regard to this Assam Bengal Railway what are your proposals, Mr. Wilson?

Mr. Wilson : There is no question of safety here.

Prof. Ranga : General Conclusion. We agree with this general conclusion.

APPROPRIATION ACCOUNTS

Chairman. With regard to Refunds on page 12, in Customs and income-tax we are making the revenue estimates net so far as possible; i.e., drawback and repayments of incometax and Customs are now deductions from revenue. Is this an exactly parallel case?

Mr. Sundaram. Yes, it is the same.

Grant 6-A, page 19

Prof. Ranga. On the B., B. and C I against column 1, we find that there was more expenditure on repairs and maintenance of churches and cemeteries. Where are these churches and how do they maintain them?

Mr. Badenoch. Under the Ecclesiastical rules I think the railways have a certain responsibility for these though not very large. It is a non-voted item,—about 2 lakhs. It is covered by special rules and no Agent can spend the money except under specific rules.

Prof. Ranga. Is there any proposal to stop it?

Mr. Badenoch. The policy is in the direction of reduction.

Mr. Satyamurti. Page 23. The voted portion against East Indian Railway seems to be a bad case. You reappropriate and then you underspend by more than the reappropriation.

Mr. Sundaram. The explanation is given at the bottom against "Column 4".

Mr. Ramsay Scott. Page 25. With regard to "Column 1" against Bengal Nagpur Railway, they should be charging the railways for coal at a rate which is somewhere near the cost of raising instead of having these debits afterwards.

Chairman: I think the best thing would be to invoice the coal on the basis of the last year's figures and to carry over the difference between this and the actual cost to next year.

Monday, the 18th July 1938 at 11 A M

Mr. Satyamurti Please take page 73, I want to know what are the advantages which have accrued to the Railways from the Central Standards Office? Are we getting value for money? I want to know to what extent the recommendations of various Committees which are referred to there have been carried out, and with what financial results

Mr. Wilson The Standards Office provides a channel for all these various expert committees to meet. These committees have experts and they make recommendations.

Chairman The object is to standardise the equipment on the Railways to avoid duplication or multiplicity and thus to save money.

Mr. Satyamurti I want to know whether you can give, for any year for which you have details, figures to show what is the nett gain in rupees annas and pies to the Indian Railways.

Mr. Wilson It is impossible to give it.

Mr. Satyamurti Then what is the test by which this Committee and the Legislature can judge the usefulness of this Office?

Mr. Wilson The test is in the results of work done.

Mr. Satyamurti Is the cost of equipment being reduced?

Mr. Wilson Yes.

Mr. Chairman The point is, whether you can give the Committee before next year a Note on the working of the Standards Office, to show whether their work can be measured in actual money as a result of a reduction either in running expenses or in equipment, and indicating what benefit there has been to the Railways as a whole?

Mr. Wilson I think it is almost unmeasurable. It is impossible to give you in rupees annas and pies a measure of the value of our work.

Mr. Satyamurti The Legislature will be anxious some time or other to know whether, by applying any test you like, which will satisfy us, we are getting value for the money.

Mr. Wilson I don't want to raise any hopes by saying that it will be possible for us to produce a sort of balance sheet. I could not measure for instance in rupees annas and pies what is the value of an architect's work. We would like to have this information ourselves, but I do not want to raise hopes that it is possible to show that the Standards Office costs so much a year and that it is able to make so much saving per year.

Mr. Satyamurti Part of it can be shown, part of it in improvement in stores, part of it in reducing the stores balance and so on?

Prof. Banga Can't you say why such and such a thing is done by the Standards Office, what exactly is the benefit to the Railways, and if they can give us an approximate idea of the saving made?

Chairman: Let me put this in more general terms—that we should have before next year a report on the work of the Standards Office with a view to putting down on paper the justification for it. I have no doubt that the Standards Office is justified, and that the work done is valuable. We would like you to submit a justification of its work, on the lines of a justification for its retention, supposing that there was a proposal for its retrenchment by some Retrenchment Committee.

Mr. Satyamurti Let us take page 27, re-appropriation 239 Look at the first item, explanation column 4 It seems to me a clearly wrong case—I am talking of the second item

Mr. Sundaram The re-appropriation is due to causes which were quite unforeseeable

Mr. Satyamurti Page 30 Here again my point is with regard to certain re-appropriations and the final saving In a certain case, they surrendered $3\frac{1}{2}$ lakhs, and they could have surrendered $3\frac{1}{2}$ more

Prof. Ranga They say here the bulk of repairs having been carried out at Jhansi where the cost of repairs is less With what other workshops is it compared?

Mr. Rajagopalan I suppose Jhansi is compared with Matunga workshops

Prof. Ranga Do you keep a record of these costs in these various workshops and compare them with the costs in others to see where you can get work done at the lowest cost?

Mr. Rajagopalan Yes The cost of labour at Jhansi workshop is considerably less than it is in Bombay on the same Railway

Prof. Ranga Would it be necessary in that case for you to keep up the workshop where the cost of labour and other costs are very much higher?

Mr. Wilson There may be other reasons for keeping it up

Prof. Ranga You try to keep a watch over these costs and see that they are kept down?

Mr. Wilson Yes, we do

Mr. Satyamurti Pages 32 and 33 I want to draw your attention to two items, B., B. and C I Railway, and the S I Railway The re-appropriation on the M S M is a striking case I think such decisions with regard to writing back should not be taken unless there is some reason.

Chairman The company managed Railway maintained that this was capital expenditure and therefore they charged it to capital The late Financial Commissioner thought that it would be charged to revenue and I supported his view.

Prof. Ranga Are these buses working I am referring to page 33? Has this experiment been found a success on this railway?

Mr. Wilson We built one on the G I P Railway, a whole car with a Ford engine, with the object of seeing if we can produce a car in India. We thought we might manufacture cars in India but the one we made has given an endless amount of trouble in repairs and maintenance

Prof. Ranga Are you still making those cars at a cost of Rs. 70,000?

Mr. Wilson Yes, I think we always ought to experiment, and we are still experimenting with the car on the G. I. P.

Mr. Satyamurti Page 38, bottom. If they left the grant as it was, they need not have had a supplementary and then a re-appropriation.

Chairman They took an excessive supplementary

Prof. Ranga Whose fault was it to have overlooked this sum of Rs. 22,000 at page 42? What was done in regard to that?

Mr. Sundaram The audit did not raise any objection about it

Mr. Rajagopalan The transaction ended about 10 years ago

Prof. Ranga Then why all this delay in bringing it to our notice?

Mr. Rajagopalan Probably it was discovered incidentally

Mr. Satyamurti Page 48 Why are you so much out of tune with the actual facts that you must make these supplemental estimates? Remember that when you make the reappropriations you are much nearer the end of the year than when you are making your budget and the variations in the latter must be much less and much less frequent. Look at the next thing. Even Mr. Wilson cannot explain it—(1) 'Railway.

Mr. Sundaram The explanation is given—Column 4

Mr. Wilson I can remember this one. We for years had been holding ourselves liable to pay certain taxes to the municipality but when it was decided that these taxes were no longer due that amount was held in suspense.

Prof. Ranga There is a similar thing under B N Railway, page 50

Mr. Sundaram Column 4—explanation. Due mainly to non-payment of provident bonus to men on strike.

Mr. Satyamurti At the bottom of page 52—Suspense

Mr. Sundaram. We have it under suspense and we expect the suspense to be cleared, but sometimes a few items are not cleared. Throughout the entire revenue grant there is a suspense head in every one of them

Prof. Ranga. Page 53, bottom—who was responsible for the loss due to write off of irrecoverable legal expenses—Rs. 28,696?

Mr. Rajagopalan read out an explanation.

Mr. Wilson. We have, as you know, been trying to make use of the land which is temporarily not required but may be required in the future and we have been leasing out the land to various parties. They have been paying the rents but this man fell in arrears and refused to pay. The man eventually decamped. We were trying to arrest him but he disappeared. This is not the only case in which we have been having this experience. As Chief Engineer it has cost me an immense amount of personal time to try to make some revenue out of our surplus land and in almost every case we have met with these great difficulties.

Mr. Satyamurti At the bottom of page 54—B., B. and C. I. These explanations are not satisfactory. The explanation is no explanation at all. Then we come to page 57. The first paragraph we have discussed. What about the second paragraph? What happened in the case of the E. I. Railway? You have debited the Tatanagar Workshops to the E. I. Railway. The workshop is common to all the railways.

Mr. Sundaram. We find it convenient to have it under one railway.

Mr. Satyamurti. Page 63—Rs. 46,81,000. What does that represent?

Mr. Sundaram Investments in these branch lines.

Mr. Satyamurti. Are you making any profit on these investments?

Mr. Sundaram: We get dividends.

Mr. Satyamurti: Bottom of page 65—this item is called construction of State Railways, a minus provision. Is that inevitable? You could not have foreseen any of these things?

Mr. Sundaram No.

Mr. Satyamurti Does the Financial Commissioner look into this matter, and in particular, how does the S I Railway come up with an ill-balanced budget?

Mr. Sundaram They are very small items. They are final adjustments of closing stages of works.

Mr. Satyamurti We have come to Grant No 12, and I shall just ask Mr. Wilson to follow these figures. Page 67 (Reads the figures for E B Railway) If you come to the next page, E I Railway (reads the figures).

Chairman If you like, we can refer specifically to this grant because this is the point on which we have already decided to make comment on the inadequacy of the lump sum cut.

Mr. Satyamurti I want these figures to be stated and the explanations are simply washouts.

Mr. Rajagopalan It is fully discussed in the Chief Commissioner's Review.

Mr. Satyamurti Can you give me some figures—how much of it is due to the difference in allocation, how much to postponement of works?

Mr. Rajagopalan It is all given here.

Mr. Satyamurti I am only asking you to note particular railways and particular variations.

Prof. Ranga. Bottom of page 68. The explanation is, "mainly on account of changes in programme, revision of schemes, abandonment of works, savings in estimates, and non-completion of works due to rain and late acceptance of tender". Is there any way of preventing a recurrence of this?

Chairman We made a large lump sum cut in the following year.

Mr. Wilson: This arbitrary closing of accounts on the 31st March creates a lot of unnecessary difficulty.

Mr. Satyamurti. But, so long as you have these accounts, you must keep to the budget as much as possible.

Mr. Wilson We do as much as we can.

Chairman. In 1936-37 we cut inadequately. We cut much more in the following year and the final result was right within two lakhs.

Mr. Satyamurti: We should see that they are not given too much arbitrary power.

Chairman: The power is exercised subject to the normal rules of financial control.

Prof. Ranga: Even granting all these concessions to meet their difficulties, do you want to give them power to change their works programme once they have made it?

Chairman: They cannot change their works programme without financial sanction.

Prof. Ranga: Then how does it happen that they go on changing in the course of the year?

Chairman: Because the financial authority is presumably convinced that they are justified and that it is prudent to do so.

Mr Satyamurti. Pages 74, 75 and 76. You will find that there are three company-managed railways, B, B and C I, M and S M and S I., and the explanations are, non-completion of works, postponement of works, less expenditure on works. I want to know whether these companies deliberately postpone works because it is to their interest not to spend, since the companies are going to be acquired. They want to make dividends and they do not want to spend as much as the State-managed railways do.

Chairman. Is there anybody responsible in the case of railways which have options of purchases maturing for preventing the standard of maintenance running down unduly?

Mr Staig. There is the Government Inspector of Railways.

Mr Satyamurti. What is the agency by which in each of their stock programmes for the next year you satisfy yourself that a certain standard of amenities is kept by these railways? Who is the gentleman who does that work?

Mr Badenoch. The Government Examiner is responsible for keeping a watch generally over arrears of replacement of rolling stock, but one thing which is interfering with his control considerably at present is the delay in the approval of the rolling stock convention. The rolling stock convention has been under discussion for several years.

Mr. Satyamurti. I suggest that the Railway Board should evolve some means, apart from audit, by which they satisfy themselves in sanctioning their programme for each year that a certain standard not only of safety but of amenities is being maintained by the company-managed railways. I should like the Railway Board to give us some idea next year as to how the rolling stock convention works and how the standard of safety and amenities which we expect from all railways is being maintained by the company-managed railways.

Mr. Staig. Of course they have to satisfy the Secretary of State.

Mr Satyamurti. I want the Railway Board to give us a report as to the standard of comfort maintained by these railways.

Prof. Ranga. On the M. and S M there were some minor accidents due to failure to maintain them in proper condition.

Chairman: You might give us a note setting out what are your powers and how you control the maintenance of proper standards of equipment and upkeep on the company-managed railways.

Prof. Ranga: P. 70, col 1. Why were second-hand materials used? Were they approved by an officer other than the one who ordered these things? I am very suspicious about the use of second-hand materials lest there should be inefficiency and want of safety on railways.

Mr. Badenoch: This is an excellent policy of economy.

Mr. Satyamurti. P. 83. What is the amount of your surplus stores? Are they actually surplus stores?

Chairman. What Mr. Satyamurti means is—are surplus stores, stores which will never be required or stores which are in excess of the authorised reserve standards?

Mr. Wilson. I have answered this on one of the previous days. These girders were kept as surplus stores but in the course of the year we were able to utilise them so as to re-condition minor bridges.

Chairman These are merely in excess of standards, I take it, and not scrap.

Mr. Wilson They do not include scrap

Mr. Sundaram Stores not used for two or three years and not expected to be used in the immediate future

Mr. Wilson We have a committee which goes through them periodically and re-classifies them. Surplus stores which have been condemned are disposed of. This is done once a year. We inform other railways

Mr. Satyamurti Pp. 84-85.

Mr. Ramsay Scott. What is the position with regard to the East Indian Railway stores accounts?

Mr. Badenoch The East Indian Railway stores accounts are in proper condition

Prof. Ranga How about the cost of stores found short on the B. N. W.,—p. 84?

Mr. Wilson Sometimes it is plus and sometimes it is minus

Mr. Satyamurti So all this write-off due to various causes is normal, and not due to any abnormal causes?

Mr. Wilson Every thing is dealt with independently

Mr. Satyamurti P. 87. Why was the verification of tools and plant on the B., B. and C. I. made by the Department and not by an independent authority?

Mr. Rajagopalan. It usually is a domestic matter.

Prof. Ranga On the B., B. and C. I. the re-valuation of stores was not undertaken?

Mr. Sankara Aiyar The legal advice taken is that we cannot do anything in the matter.

Mr. Wilson I may say this re-valuation is causing an immense amount of work, with a net result which is negligible in the end. The charge to revenue is exactly the same.

Mr. Badenoch Actually this matter came up in connection with the slump in prices. There has been a dispute as far as I remember with the B., B. and C. I. which has been going on for a good many years. The balance sheet does not show a true state of affairs if it carries a big item of overvalued stores in the balances. You over-state your capital

Mr. Wilson It gives us an immense amount of work.

Mr. Sankara Aiyar: In the event mentioned, you will then have to write up stores instead of writing down stores.

Mr. Satyamurti: Perhaps this might come up again and we might deal with it again next year.

Mr. Badenoch. We always make the rates move in accordance with the market by averaging; the process is slow of course.

Mr. Satyamurti. Annexure A. Outstanding objections. Has anything been done? P. 88. Under every item there is an increase. Has there really been any clearance of these items? If there was an attempt to reduce them, these figures would not be there.

Mr. Stain. I drew their special attention to it.

Mr Satyamurti : What is the reason for this delay except mere laziness?

Mr Badenoch : Some of these are under litigation. Obviously they would be difficult to settle. There are some disputed allocations with company-managed railways. All these take a long time. Some of them are awaiting completion reports. There are seven cases under litigation, eleven cases of disputed allocations with company railways, all of over a thousand rupees.

Chairman : It is obviously worth while considering whether it is wise to carry on a dispute about an allocation of a thousand rupees up to the stage where you spend Rs 10,000 on it.

Mr Badenoch : The Auditor General does not mean to object to a reasonable settlement of an allocation.

Chairman : Suppose they had a rough and ready settlement, you would not ask—what is the basis of it?

Mr Badenoch : That is quite correct.

Mr Satyamurti : Annexure A, 2, amount of expenditure held under objection. Was this inevitable—that you must have so many items of expenditure incurred without sanction? Is that financially proper?

Mr Wilson : The sanction to include this in the programme has been given by the Railway Board. Then sanction to the detailed estimates is awaited.

Mr Satyamurti : But sanction should be given before any expenditure is incurred.

Mr Badenoch : Precisely.

Mr Wilson : Sanction to include an item in the programme is given on the basis of the abstract estimate. Then, full detailed estimates may be made out subsequently. These latter may involve a lot of argument and the work proceeds in these cases on the original sanction but it is considered irregular if the work progresses before that detailed estimate is sanctioned.

Sir John Nixon : There is not much point in submitting a detailed estimate after you have done the work.

Mr Badenoch : I can recall one famous example of the danger of proceeding on an abstract estimate and that is the Kangra Valley Railway case where the original estimate was, I think, about a crore and the final expenditure was about 3½ crores.

Chairman : The abstract estimate should be a reasonable approximation to the final cost; if it is, then the detailed estimate is not going to vary very much. If it is not, then the abstract estimate is worthless and you ought not to proceed on it and should give no sanction except on the final estimate. There seems to be a danger in having the dual system.

Mr Badenoch : They have introduced a modified system in the army and now they proceed on their original estimate which is a more detailed estimate than our original estimate. I would not guarantee that system because it has been in operation only for about 18 months. Of course, at Quetta they have detailed estimates throughout. On the army side, it must be admitted it is much easier to adopt this system because there you have very simple projects. They are mostly buildings and there cannot be much variation between the original and the detailed estimates.

Chairman I go back to my point. If your system is working properly there ought to be very little variation between the abstract and the final figure. If there is a chance of enormous variations, you have no business to proceed on the first basis.

Mr. Badenoch That is the fundamental defect in the present system.

Mr. Wilson On this basis, supposing we say we will not start unless we have a detailed estimate. Take, for instance, our electrification scheme. The estimates, as a matter of fact, did turn out to be extremely accurate but they were based on mere information. There had been no electrification here before. We simply could not make a detailed estimate. We actually made our estimates as we went along doing the work. Supposing we had said to ourselves "We must not start this work till we have made detailed estimates", we would not have got our scheme carried out.

Mr. Badenoch I think that is an exceptional case.

Prof. Ranga How many ventures in a decade do you make like that?

Mr. Wilson I have taken the extreme case. Take, for example, another illustration,—the construction of a bridge. You cannot accurately estimate how many borings you will require and how much you are going to spend on the river bed. You do not know when a flood is coming. It is absolutely impossible to make a correct estimate of all these things.

Mr. Badenoch I think Mr. Wilson is on a different point. On a big thing like a bridge, you are bound to have a big difference between the final estimate and the original estimate because there will be so many disturbing causes. Actually, there have been many big projects in India started when very little was known about the details of engineering. One such conspicuous case was the Sutlej Valley Project.

Chairman I think the general desideratum is that sanction should be given only when the estimate is sufficiently reliable and the variations are not likely to be of great magnitude. The question of having the original estimates in greater details should be examined before next year.

Mr. Satyamurti When this report comes, I would ask the Auditor General to give his opinion on it.

Mr. Badenoch The report will be a joint report.

ANNEXURE J

Mr. Satyamurti: Who is responsible for this?

Mr. Badenoch: These are detected by the Railway Accounts Department and not by Audit.

Mr. Satyamurti Did they take any action on it?

Mr. Rajagopalan: No further action was taken.

Mr. Badenoch: I think there is no particular blame to be attached. These instances are merely reported. This is not an audit report, it is a mere statement. I do not think it is necessary to repeat this.

Chairman: If the Auditor General is satisfied they need not be put in

Collieries

Mr. Satyamurti: I have read the balance sheets of these collieries and, with the exception of two or possibly three, they are all working at a loss. May I know why?

Chairman Is not the answer the same as last year, namely, they are not being run on the most economical lines because of the policy of the previous Railway Boards to buy a certain amount of coal from the open market?

Mr. Satyamurti Take, for example, the first colliery at page 5. The balance sheet shows a loss of Rs. 81,000.

Sir John Nixon That is only a mistake in costing.

Mr. Satyamurti You mean to say that this loss is borne by the entire railway system of the country.

Chairman Isn't this a case of a slightly inaccurate provisional estimate which is afterwards adjusted on the actual figures? In any case, the theory is that the consuming railways are charged the market price. I think you will find during the last year the amount of coal bought from the outside collieries has been materially reduced.

Mr. Wilson We always contribute to our Sinking Fund. Sometimes the market collieries will undersell and during that time we will suffer. The present practice, on the whole, is profitable to us. The market prices are kept down by this means.

Chairman Isn't it correct that if you raised a higher proportion of your requirements from railway collieries, you would, on the whole, get the coal cheaper? The conclusion that was arrived at two years ago was that if the collieries were worked on the most economical basis, the cost would be 12 lakhs less.

Mr. Wilson There is the question of the quality of coal also. Ours is low grade coal.

Chairman But you do buy a certain amount of low grade coal also from outside.

Mr. Wilson That was cut down very largely this year.

Tatanagar Workshops, p. 72.

Mr. Satyamurti We had a profit this year of Rs. 5,33,000.

Mr. Wilson That is correct.

Mr. Satyamurti Is this factory now being worked to its maximum extent?

Chairman They are working up to that, but it is impossible to say that it is being fully utilised.

Mr. Satyamurti I think we should say that the Committee recommends to the Railway Board to use it to the maximum extent.

Mr. Wilson We are using it to the maximum extent of our requirements.

Chairman My recollection is that the question of using Tatanagar for manufacture of other parts is being continually examined. As far as underframes are concerned, they are doing to the maximum extent.

Mr. Wilson We recently refused to build some underframes for the Jodhpur railway. We said we were not in a position to do that as the charter does not enable us to take work for outside parties. I am not quite sure of the legal position.

Mr. Satyamurti I want to put a few questions on the recommendations of the Wedgewood report. The railway board have circulated a blue book in which they have stated the decisions taken by them on some of the recommendations of the Wedgewood report.

Page 1 para. 30 page 18, Fencing: You have issued orders that fencing should be discontinued except in suburbs of industrial areas, etc. You are satisfied that the safety of passengers and of cattle will not be endangered.

Mr. Wilson So far as cattle are concerned there is no positive indication that the one is better than the other. If the line is fenced, sometimes when the train comes, cattle which have got in side the fence are run over. If there is no fence, at the approach of the train the cattle run away from the line.

Mr. Satyamurti, Page 2 Para 47 (c) page 28. Better use of rolling stock should be made. You have said that independent action has also been taken with a view to reducing the period wagons are in transit when proceeding to shops for periodical overhaul.

Mr. Wilson We have decided that certain wagons of certain type should be repaired in the nearest workshop. We set up a committee for the purpose and we are considering their report.

Mr. Satyamurti Item 50 Recruitment and training for superior services, Mechanical Engineering department. The Committee is very strong on this point. Have you not trained any Indians all these 30 years?

Mr. Wilson Things are changing every year. We are introducing new methods and hence the improvement in efficiency. New methods are introduced in western countries and hence we should bring men from the west.

Mr. Satyamurti Will they be brought on contracts to train Indians here?

Mr. Wilson If you bring out an expert he stays throughout his service and teaches men under him.

Mr. Satyamurti This committee is against that. I suggest the Railway Board ought to take the verdict of the legislature before taking action.

Now, para 52 With regard to amalgamation of workshops have you received a report from the Agent, E. I. R.

Mr. Wilson There is a note on that.

Mr. Satyamurti Page 4 Less meticulous apportionment of revenue between State-managed railways.

Mr. Wilson If you agree to this kind of thing, meticulous budgeting of individual railways will disappear. I do not see why it should not disappear.

Mr. Satyamurti Once it works for one or two years, your budgeting will come into line.

Para. 74 (page 5) Capital expenditure. The Wedgewood Committee made a recommendation of 10 per cent return in regard to schemes. The Railway Board have not accepted it. This was one of the few sound recommendations of the Wedgewood Committee. Considering the present financial position of railways, unless you are guaranteed 10 per cent you ought not to undertake any project.

Mr. Wilson Supposing you want to develop a line. You know full well that you will get 6 per cent return. You can raise money at 3½ per cent. It would most certainly pay you to undertake that.

Chairman I would accept 10 per cent only for new projects. The Wedgewood Committee's recommendation can be made applicable only to new projects.

Mr. Satyamurti Page 6, Para 76 New scales of pay. You say that in special cases you cannot apply new scales of pay. We are against giving old scales of pay to anybody.

Prof. Ranga What is the progressive effect of new scales of pay?

Chairman My recollection is that it will take 30 years to have the full effect.

Mr. Satyamurti Is the Traffic Member still temporary.

Mr. Wilson. Yes.

Mr. Satyamurti Paras 50-52 I want to draw the attention of the Auditor General that the Wedgewood Committee are lecturing to Audit about their functions.

Mr. Badenoch We drafted a memorandum. I have had no reply from the Railway Board. I understand that the position taken up by Sir Ernest Burdon has been accepted, that is that there should be no material change in the duties and functions of audit. All that we promised to do is to make more economical use if possible of our people.

Mr. Satyamurti Control of outstation stores para 56.

Mr. Wilson It has been accepted so far as workshops are concerned. I do not think you will get better returns. We have examined the matter.

Mr. Satyamurti Page 9 selection and training of commercial staff. Sir Sultan Ahmad said in the Assembly that Europeanisation will not be accepted by Government.

Chairman What he said was that experts from outside will be brought only if it was proved that it was impossible to get suitable Indians.

Mr. Wilson. At present I have no intention of bringing in anybody.

Mr. Satyamurti Para 118 (c) Catering. Spencer and Co., pay no rents in railway premises where as Indian caterers are asked to pay. There should be no racial discrimination.

Mr. Wilson. We are keeping an absolutely open mind. We were quite unable to find what real Indian opinion is. Whenever we levy an economic rent, there is a great hue and cry from the public saying that poor people are starved. I do not think there is any racial discrimination.

Mr. Satyamurti Page 11 Passenger road services. Have these railways sent any proposals?

Chairman The N. W. R. are running a bus service on a certain route.

Mr. Satyamurti Para. 171 Passenger trains are slow.

Mr. Wilson The question of increasing the speed is under consideration every year.

Mr. Satyamurti As regards other recommendations of the Wedgewood Committee, I take it that the Railway Board do not intend to implement for the present any of the major recommendations, with regard to finance, personnel, amalgamation of railways and so on.

Mr. Staig No decisions have yet been taken with regard to these.

Chairman The position is this. Sir Sultan Ahmad made some declarations on these points and they stand. As regards accumulation of reserves, we are not considering that because of the Niemeyer award.

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